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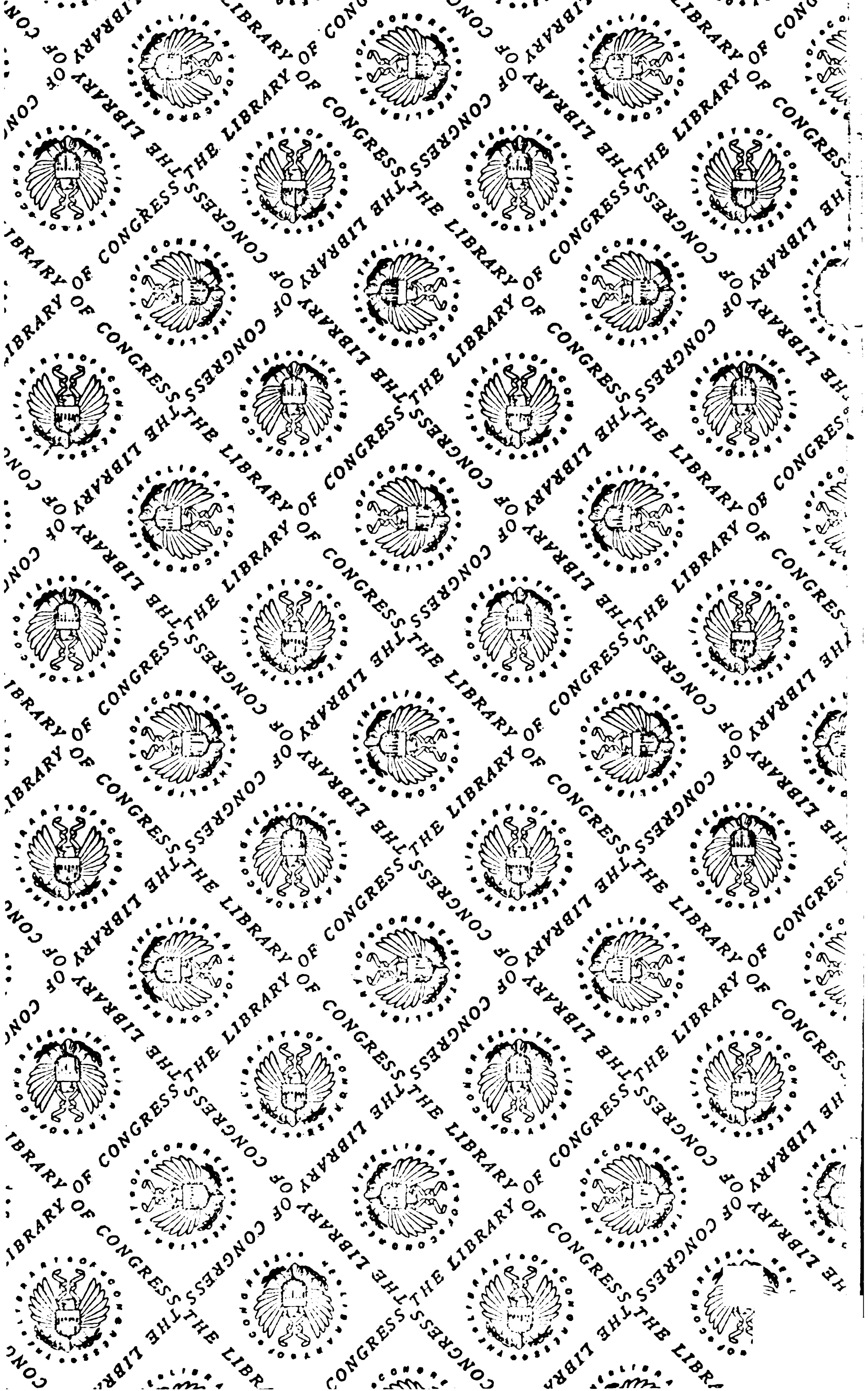
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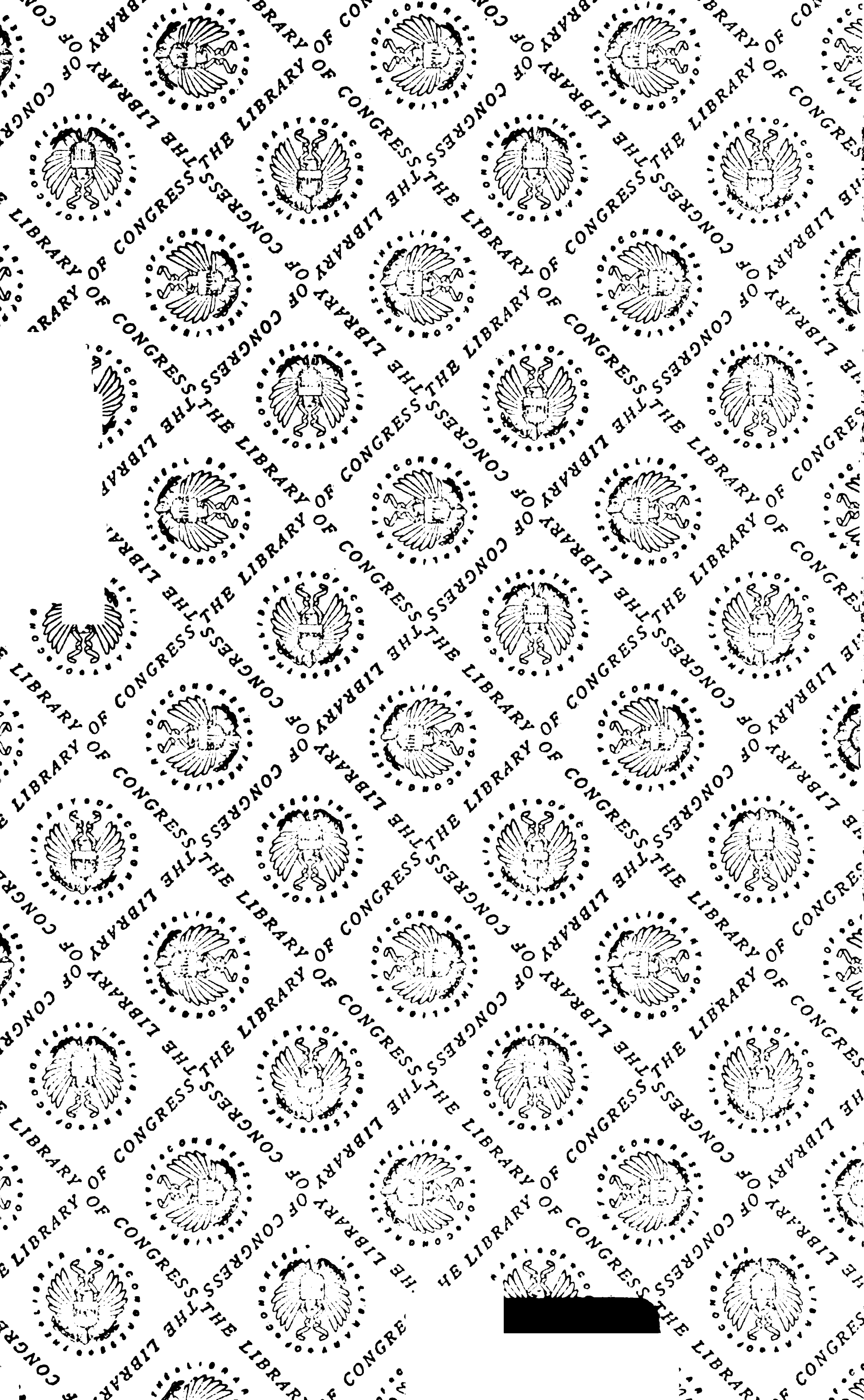
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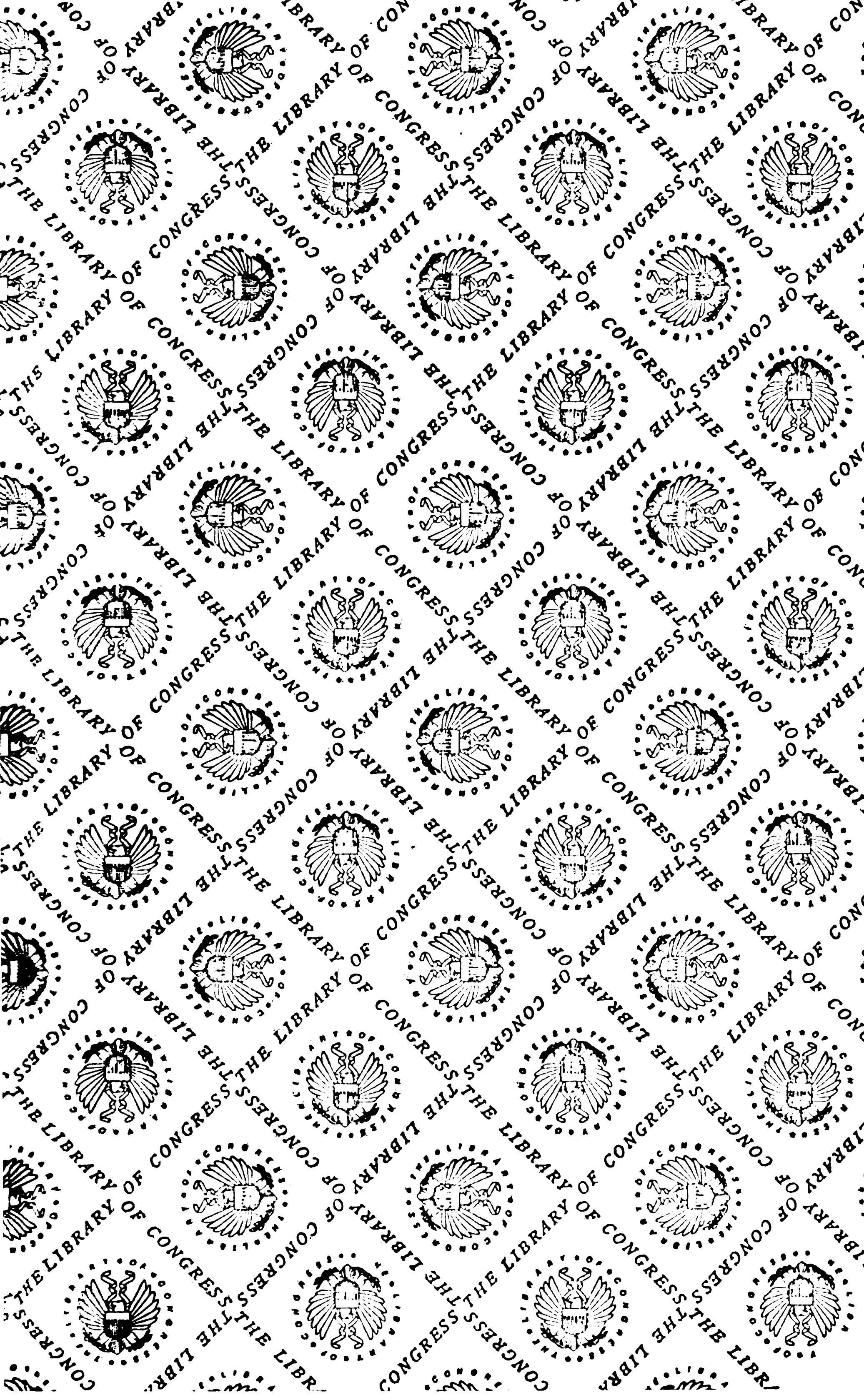
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INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

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570

ON

H. RES. 587

JANUARY 7, 1913

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WASHINGTON
GOVERNMENT PRINTING OFFICE
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**COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.
HOUSE OF REPRESENTATIVES.**

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE
MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Tuesday, January 7, 1913.

The committee met at 10.45 o'clock a. m., Hon. Joshua W. Alexander (chairman), presiding.

Present: Representatives Hardy, Collier, Ayres, Stone, Faison, Stephens, and Thayer.

[H. Res. 587, Sixty-second Congress, second session.]

Resolved, That the Committee on the Merchant Marine and Fisheries be, and is hereby, empowered and directed to make a complete and thorough investigation of the methods and practices of the various ship lines, both domestic and foreign, engaged in carrying our over-sea or foreign commerce and in the coastwise and inland commerce, and the connection between such ship lines and railroads and other common carriers, and between such lines and forwarding, ferry, towing, dock, warehouse, lighterage, or other terminal companies or firms or transportation agencies, and to investigate whether any such ship lines have formed any agreements, understandings, working arrangements, conferences, pools, or other combinations among one another, or with railroads or other common carriers, or with any of the companies, firms, or transportation agencies referred to in this section, for the purpose of fixing rates and tariffs, or of giving and receiving rebates, special rates, or other special privileges or advantages, or for the purpose of pooling or dividing their earnings, losses, or traffic, or for the purpose of preventing or destroying competition; also to investigate as to what methods, if any, are used by such ship lines, foreign or domestic, and railroads and other common carriers, or of any of the companies, firms, or other transportation agencies referred to in this section, to prevent the publication of their methods, rates, and practices in the United States; also to investigate and report to what extent and in what manner any foreign nation has subsidized or may own any vessels engaged in our foreign commerce; also to investigate and report to what extent any vessel lines and companies, or any of the companies, firms, or transportation agencies referred to in this section, engaged in our foreign or coastwise or inland commerce, are owned or controlled by railway companies, by other ship lines or companies, or by any of the companies, firms, or transportation agencies referred to in this section, or by the same interests and persons owning or controlling railroad companies, ship lines, or other common carriers, or any of the companies, firms, or transportation agencies referred to in this section; and said committee shall further investigate whether the conduct or methods or practices of said foreign steamship lines are in contravention of our commercial treaties, or in violation of our laws, and what effect said methods and practices have on the commerce and freight rates of the United States; and shall further investigate what effect such combinations, agreements, understandings, working arrangements, and practices of railroads and our coastwise and inland shipping lines, or of railroads and such shipping lines and any of the companies, firms, or transportation agencies referred to in this section, or of railroads and over-sea shipping lines, whether domestic or foreign, if any are found to exist, have on the commerce and freight rates of the United States, and whether the same are in violation of the laws of the United States.

SEC. 2. That said committee shall report to the House all the facts disclosed by said investigation and what legislation, if any, it deems advisable in relation thereto.

SEC. 3. That said committee, or any subcommittee thereof, is hereby empowered to sit and act during the sessions or recess of Congress at such place or places as may be found necessary and to require the attendance of witnesses, the production of books, papers, rates, tariffs, and other documents, by subpoena or otherwise, to swear such witnesses and take their testimony orally or in writing.

SEC. 4. That said committee is hereby authorized to employ such counsel and experts and clerical and other assistance as shall be necessary to perform its duties hereunder.

SEC. 5. That the Speaker shall have authority to issue subpoenas for witnesses, upon the request of the committee, during the recess of Congress in the same manner as during the sessions of Congress.

The CHAIRMAN. Gentlemen, we have met this morning for the purpose of beginning public hearings on H. Res. 587, under which the committee is authorized and directed by the House of Representatives to investigate our domestic and also foreign shipping lines, and other matters referred to in the resolution.

Of course, this investigation has been going on since last May, or the latter part of April, but in the opinion of the committee it was thought proper to have some public hearings for the purpose of making our investigations more complete, and to ascertain some facts that did not appear clearly from the information already in the possession of the committee.

Our purpose first is to consider the subject as related to lines operating between the United States and Brazil. In other words, the shipping lines engaged in the foreign trade. Mr. Sidney Story, of New Orleans, is here. We will call him as the first witness.

**TESTIMONY OF MR. SIDNEY STORY, VICE PRESIDENT OF THE
PAN AMERICAN MAIL STEAMSHIP CO., NEW ORLEANS, LA.**

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Story, you will please give the stenographer your name, your place of residence, and your business.

Mr. STORY. Sidney Story, New Orleans, La.; Pan American Mail Steamship Co.

The CHAIRMAN. What is your relation to that?

Mr. STORY. One of the vice presidents.

The CHAIRMAN. Now, Mr. Story, you may go ahead and in your own way state what you may know or have ascertained by investigation in reference to our trade with South America, as related to the shipping lines engaged in that trade.

Mr. STORY. I would ask permission, Mr. Chairman, in order to give you an idea of the value of the information which I will give, to go back briefly to 1900, the time at which the movement was started by our Business Men's League, in New Orleans, for the establishment of an American steamship line from our port to South America.

I have had considerable to do with gathering information in regard to South America as far back as 1887, when I was on the Panama Canal with Count de Lesseps, at the time the French were at work. I, on many occasions, delivered lectures in our country on the Nicaraguan route, and that study enabled me to obtain a great deal of information in regard to Latin America, for this reason: In 1900 our Business Men's League began to agitate the question of an American transportation line to Argentine and Brazil. The National Board of Trade, in convention assembled in Washington in 1905, by a resolution indorsed this movement of New Orleans. The business exchanges throughout the Mississippi Valley indorsed the move-

ment, and in 1910 our people concluded that the time was ripe to install a service of that kind, and we got busy with the idea of interesting capital.

About that time Brazil, through her commissioner, who was then visiting the United States, invited us to come to Brazil and talk the matter over, as she was anxious for the establishment of an independent line between the United States ports and Rio de Janeiro. I was selected by the Business Men's League to go to Brazil and submit our plan to that Government. I carried with me credentials from the governor of our State, the mayor of our city, our business exchanges, and also a letter from Mr. Knox, our Secretary of State, to our American ambassador, Mr. Dudley.

On arrival at Rio I submitted our plans to the President of the Brazilian Republic and his ministers, and they all approved the idea, and Brazil stated through her executives that she was anxious to see such a line established, an independent line, and would be prepared to aid us financially in the way of subvention or a mail contract if our Government would do likewise, and these promises and pledges on the part of Brazil were put in writing.

I returned to the United States in April, 1911. Brazil, in order to show her earnestness in this matter sent two envoys to the United States to reaffirm these pledges, Dr. Eugenio Dahne and Dr. Gaston Reys. They appeared before some of our exchanges, visited Washington, and after assuring themselves that our proposition was bona fide and correct in every particular, they went back to Brazil and made a report that the Government could go right ahead and aid us and encourage us as much as she possibly could.

In July, 1911, I returned to Brazil and began negotiations then with the Government for aid to this independent American effort, predicated, of course, upon our receiving some aid from our own Government. The petition which I filed with the Government received the approval of the President, Marshal Hermes da Fonseca; the minister of commerce, Dr. Pedro de Toledo; and the minister of transportation. To make a long story short, it was approved by the merchant marine committee of the Congress and also indorsed by the finance committee, and is still on the calendar. The Congress came to an end and we did not have time to put the measure through the Senate, so I returned in January, 1912, to the United States with a letter from the ministry of Brazil, stating that as soon as our line would be inaugurated, and our Government would show a disposition to assist an American effort, that I could return and put the Brazilian bill through the senate and the President would sign it.

In 1912, I think about the month of June, our organization, the Pan American Mail, started from New Orleans to Brazil and Argentina. We started with chartered ships. We found it very difficult at first to get any ships at all, but by paying a high charter rate we finally got them. They were British ships—British tramp ships. We had all the freights we could carry to South America. In fact, the three ships that were chartered had sailed from our port loaded to full capacity, and our company even refused at one time over 12,000 tons of freight, southbound.

We have been obliged to withdraw our line from the trade, for the reason that all our ships came back without a pound of cargo, and naturally with a loss. During our campaign through some of the

cities of the Mississippi Valley, especially, the moneyed men of our Nation, our business men, always maintained that we could not operate an American line for the reason that there existed shipping combinations that controlled the shipments northbound, and would not permit the establishment of another fleet, and for that reason the moneyed men, or capitalists, were not prepared to invest their money in an enterprise—in an American shipping enterprise—unless they were assured either that we could get northbound cargoes to make the proposition paying, or, in addition, governmental aid in some fashion, so as to safeguard their investments.

Some of our people interested in this Pan American Steamship Line said they would try the experiment with chartered ships, and while the ships went down loaded to full capacity, with cargoes from the United States, they came back empty, and naturally with a loss, and our people decided that under the circumstances it was better to withdraw from the trade and wait until some time when our Government would really understand the situation as it really exists, and would legislate in some form or other to protect the commerce of our country, as well as encourage our American shipping.

I want to say, furthermore, that this Pan American Mail Line from New Orleans to Brazil and Argentina was a civic effort on our part, and no man in it owns more than \$500 worth of stock. Therefore it was not a private enterprise with private axes to grind or a ground-floor stock-jobbing proposition. It was a civic effort and the State of Louisiana, as far back as 1910, realizing the need for American steamship lines to South America, at a general election called for that purpose, amended her constitution to the extent of exempting all such efforts from taxation for a period of 15 years.

Our idea was to disseminate or distribute this stock among the shippers and merchants of the Mississippi Valley through the public exchanges, to make this the initial step, as it were, in the restoration of the American merchant marine.

My trips to Brazil and my associations in that country with Government officials and otherwise enabled me to gather a great deal of knowledge and information in regard to the methods employed by our commercial rivals in keeping the United States from developing too rapidly a commerce with our sister republics on the south. There is no doubt in the world that there is a great war being waged against the commerce of our country by our aggressive commercial rivals. When I was in Brazil last, negotiating with the Government for this aid to this American effort of ours from New Orleans, it was openly stated on the streets by the friends of the European lines who control the monopoly of the transportation between North and South America that our line would not be permitted to exist; that we would be run out of the trade in from four to five months.

I talked with the shippers in that country and I find that the shippers are all anxious and desirous for us to establish independent lines from the United States; to emancipate them, as it were, from the tyranny of the monopoly which has existed all these years. But the shippers in Brazil—perhaps more so than even the importers in the United States from South America—are very timid about giving any information, because they fear the condign punishment of the transportation lines which operate principally from New York to Argentina and Brazil.

The CHAIRMAN. In that connection, will you state what lines those are?

Mr. STORY. Those lines are the Lamport & Holt, the Prince Line, and even the Lloyd Brasileiro at one time, of course, had a working agreement with these European lines. Whether they have to-day or not I do not know.

The CHAIRMAN. Does the Hamburg-South American also?

Mr. STORY. And the Hamburg-South American. The consensus of opinion in Brazil is that it is impossible for the commerce to develop properly between Brazil and North America without the aid of American transportation lines. The Brazilians will say that we are their biggest customer; that we buy \$100,000,000 worth of coffee from them and \$30,000,000 worth of rubber and other things, and only sell to Brazil some \$30,000,000 worth of American goods, and that there is a trade balance against the United States of \$100,000,000, which they spend in Europe among European manufacturers and which they could just as well spend in the United States if we only had the means of transportation.

The South Americans, notably the Brazilians, travel to Europe because between Rio and Europe, as between Buenos Aires and Europe, there exists all the way from 10 to 12 lines of steamers having magnificent passenger accommodations as well as freight service. And the result is that South Americans—Argentines and Brazilians—go to Europe instead of coming to the United States, and naturally people buy where they travel. These European lines naturally are working for Europe. They are working for their own country, and they are backed naturally by their merchants and their Governments so as to keep the commerce flowing between Europe and South America and prevent its too rapid development between North and South America along longitudinal lines.

The Brazilians say, "We want to trade with you. We would like to go to the United States and spend this \$100,000,000 of trade balance which is against you, but you do not have any American transportation lines. Give us a good cargo service and a good passenger service, and we are willing to aid in your efforts, and our people will travel to North America and will buy their goods in North America, and instead of their being a trade balance against you of \$100,000,000, why, the trade will be more equally divided."

There is a great complaint, in Brazil especially, in regard to the delivery of our mails. They say in Brazil that Uncle Sam has the worst postal service in the world; Europeans tell them so. There never is any trouble about the delivery of European mails, but there is a great deal of trouble about the delivery of our mail from the United States; and oftentimes if it does not go down from New York on slow-moving ships, it does go to Europe first before it goes to Brazil or Argentina, and there have been instances, I am told, where our mails have even been forgotten in the holds of the ships and taken down to Buenos Aires and back to New York and again down to Rio de Janeiro. I was talking a while ago with a gentleman friend of mine in Louisville, Mr. George Washburn, who told me that a letter written to him from Rio de Janeiro had reached him nine months afterwards. When I left Rio de Janeiro for the United States in January, 1912, I wrote to our office about two weeks before I

sailed, and that letter did not reach the president of our company until about 40 days after I reached the city of New Orleans.

There is great complaint in South America—in Brazil—among our people in reference to the cable service as well. It seems that all these various interests seem to work hand in hand, and there is a method in it all, and that is to keep out American freight and to hinder this American commerce. Cable messages have been sent to the United States again and again in which the words have been transposed so as to make the meaning obscure, whereas these conditions do not exist between Europe and South America.

We find that our commercial rivals, the Europeans, are very aggressive in carrying on a propaganda throughout the press. There is not a day but what you take up the newspapers of those countries and you will find a whole column devoted to Switzerland, or Holland, or Belgium, two columns to France, Italy, and England, and to the United States possibly two or three small lines. Or if it is a paragraph or two it refers to some objectionable items like divorce cases in Nevada or lynchings—items of that character. It may not be amiss just to call attention to one or two, for instance, to give you an idea of what the war means and what must be done.

For instance, here is an excerpt from the *Gazeta de Noticias* of Rio de Janeiro, the 21st of December, 1911. The heading of it is, translated, "Argentina and the United States," and it goes on to say—it is a dispatch from Paris—that a great discovery has been made about the perfidious manner in which the United States obtained the contract from Argentina for the construction of her battle-ships, and that our American minister had obtained this contract for our American shipbuilders with the understanding that our Government was to lend to Argentina a sufficient number of battle-ships to protect her against Brazilian aggression. All of which, naturally, is done to fan the flames of prejudice against North America.

Here is, for instance, an excerpt from an English publication—because they have English publications in most of the large centers of South America, and the Europeans control, by influence or otherwise, certain native newspapers. The cable service is in the hands of the Europeans and the news service is in the hands of the Europeans, and all the news from North America to South America is first censored in Europe before it reaches South America, and vice versa.

The cable service is in the hands of the Europeans, and the news service is in the hands of the Europeans, and all the news from North America to South America is first censored in Europe before it reaches South America, and vice versa, the object being to keep the two sections of the western hemisphere as much apart as possible. We are pictured to the South Americans as northern barbarians, to keep them away from us, and South Americans are pictured here to us as a lot of revolutionists, so as to keep our people from investing in that country.

Now, here is a little example of what some of the English papers say. This is from the *Standard*, of Buenos Aires, and I just want to read one paragraph, if you will permit me. It is a reference to the

mobilization of the United States Army on the borders of Mexico.
[Reading:]

History, more especially disreputable history, has a most unhappy knack of repeating itself, and it would almost seem that the North Americans who dwell close to Mexican territory are bent on making trouble with the Mexicans as they did in 1836, and later in 1846. This they can afford to do, for the Mexicans standing alone, and unhelped by the rest of Latin America, would be unable to cope with their gigantic neighbor, but it might happen that the Latin races in the south would combine to help Mexico in a life or death struggle with the Yankees. Because the southerners might with some justice imagine that the conquest of Mexico by the Yankee Nation would only be a prelude to the eventual overrunning of the whole of the Latins on the American continent, which would be about as great a curse as any that could fall upon the civilized world of today. If all the Latins combined they would make it very uncomfortable for the Yankees, in spite of the latter's 75,000,000 of population, for amongst the Latin Americans are some of the very finest fighting material in the world. Good as the Yankee bluejackets are, it is doubtful if, man to man, they can claim an iota of superiority over the bluejackets of Chile for instance.

It does not seem to me an impossible dream, or a thing beyond the range of practical politics, that ere long an offensive and defensive alliance may be entered into by all the Latin races of South America, and any trouble that may arise between the Yankees and the Mexicans may tend toward bringing this about. Such an offensive and defensive alliance would be unquestionably a statesmanlike act upon the part of the strongest and the weakest of the various republics, and the man who brings such an alliance into being will be the savior of the South.

I simply read this to show you that there is a movement on foot all the time to urge Brazil, Argentine, and Chile to form an alliance to protect it against the aggression of North America.

Not long ago I read in the papers of Guayaquil a dispatch from London to the effect that it was North America which was fomenting the revolution in Ecuador for the purpose ultimately of acquiring the Galapagos Islands.

Here is another little excerpt that refers to the manner in which Uncle Sam is trying to steal Central America. Here is, for instance, another item—dated the 29th of August last, from the Journal do Comercio.

Here is a dispatch from London to the Brazilian press, which refers to Senate resolution introduced by Senator Lodge, having reference to the acquirement of territory by foreign nations on the Western Hemisphere, notably Magdalena Bay. This dispatch from London says that the Senate of the United States passed a resolution prohibiting the acquirement of property by foreigners on the Western Hemisphere, and goes on and characterizes the resolution as a piece of insolent arrogance and presumption, and calls upon Latin-America to form this alliance against the Monroe doctrine, which is nothing less than a club which North America wants to hold over them, and here is the editorial of the Journal do Comercio, which even with its pro-British or pro-English or pro-European sympathies could not help in its editorial commenting on the news dispatch to denounce and call the European nations attention to the fact that they had to stop that sort of thing, and that they in Brazil would not stand for the transplanting to the Western Hemisphere of those perfidious tactics which had resulted in the past in bringing about so many wars and dissensions between the countries of the world.

To show that the Brazilians are in earnest about trading with the United States is the proffer of assistance to our line. Here is a dispatch from the newspapers of that country, recently received, which shows that they subsidized an Italian line, giving it \$500,000 a year for five years, which was the aid that they proposed giving to our

Pan American Mail as soon as we could show them that our Government was going to do something, if not as much, half as much at least, in some form or other to help this American effort. The Italian bill was introduced simultaneously with our North American bill, and Brazil looks upon Italy and the United States as the two countries she has got to tie up with—Italy for immigration and the United States for capital, commerce, enterprise, and energy.

MR. HARDY. The Brazilians have subsidized that line.

MR. STORY. Sir?

MR. HARDY. The Brazilians have subsidized that line.

MR. STORY. This Italian line.

In December, or recently, I was in Chicago during the visit of Count Candido Mendes de Almeida, who is the biggest commercial man in Brazil, and president of the chamber of commerce, and all these matters were discussed before the business exchanges of that city, and the consensus of opinion in Chicago, as it is at St. Louis and other centers, is that all the money necessary to the establishment of American lines from the Gulf ports or from the Atlantic ports or the Pacific ports will be forthcoming, just as soon as it is made clear to the American business investor that our country is going to legislate in same form to protect our commerce against the aggressions and arbitrary tariffs and rulings and discriminations of foreign steamship lines, as well as enact such legislation as will encourage the capital of our country to invest in American transportation lines.

MR. HARDY. By "such legislation" do you mean legislation that will prevent cut throat methods? Is that the sum and substance of the whole thing?

MR. STORY. Such legislation as will prevent cutthroat methods; such as will prevent rebating; that will put the transportation lines between our country and South America, or between our country and the rest of the world, for that matter, no matter whether those transportation lines are American or otherwise, under some supervision—governmental—that will prohibit rebating, such as the railroads in this country under Interstate Commerce ruling are prevented from doing.

I wish to say, as another evidence that Brazil is anxious and desirous of trading with the United States, that during Mr. Dudley's residence in Rio as our American ambassador, there was negotiated an understanding or enacted a bill giving the United States 20 per cent reduction preferentials on over 19 articles manufactured in our country, like cement and pianos, and furniture, and stuff of that sort, and 30 per cent preferentials on American flour.

THE CHAIRMAN. Duties?

MR. STORY. Yes; over all other nations. Well, even with these advantages in favor of the American product, it is very difficult for our people to get in there, for the reason that the rates of freight, which are fixed by these preferential lines, are such as to absorb practically the preferentials, and, as I explained to our ambassador at Rio at the time, I said, "Instead of helping Brazil or the United States commerce you simply have practically played into the hands of the European shipping trust, because they are the ones that get that benefit, and even with 30 per cent preferential such people as the Washburn-Crosby people of Minneapolis will tell you it is a very difficult thing for our American flour manufacturers or millers to

get into that country." There is only one concern, practically speaking, that sells any American flour in North Brazil, and that is a concern by the name of Holt & Co., New York millers.

The CHAIRMAN. As I understand, preferentials are 30 per cent in favor of the United States on flour?

Mr. STORY. Yes, sir; and 20 per cent on 19 other articles manufactured in our country; and Holt & Co. seem to have been able to get their flour into North Brazil. They do quite a business in North Brazil and Pernambuco and up the Amazon River. The Washburn-Crosby Co., of Minneapolis, did make a fight to get in. I think they are selling some flour in Pernambuco, but they complain it is very difficult for them to get into Brazil, even with the 30 per cent preferentials in favor of American flour.

The same thing holds good in reference to other articles, for instance, American cement. There is an importer in Rio de Janeiro by name of Kramer; he imported a cement of American manufacture, for the reason that Brazil had given 20 per cent preferentials on American cement, so as to enable the American cement manufacturers to meet competitive prices in Brazil, because Brazil had always been getting her cements from Belgium, Germany, and other countries, and it was always stated that American cement was very bad; that it could not be used; that it was useless; and Brazil is using vast quantities of cement. They have no cement in Brazil. She is using vast quantities of it, because she is building immense port works in all her harbors, and she is building sewer systems in all her cities, and she is modernizing all the cities, and vast quantities of cement are required. This American cement gave great satisfaction, so much so that the people would not have anything else, and they wanted this cement, and Mr. Kramer put in a big order in the United States for this cement, but the conference lines, which are nothing else but the European lines, who control the trade between our country and the South Americas, increased the rate of freight, thereby absorbing the 20 per cent preferential and forcing the cement orders to Europe.

The CHAIRMAN. You refer to those you have named, do you?

Mr. STORY. Just the three I have named. They raised the rate of freight, when they heard of this second order for American cement, to such an extent that it was impossible for Mr. Kramer to import any of this cement, and the order was finally forced over to Europe. Mr. Lay, our consul general in Rio, apprised me of this fact, and I have here his original letter and that of Mr. Kramer complaining about these conditions, and Mr. Kramer shows that where the rate of freight was increased on the second shipment to such an extent that he had to cancel the order it was impossible for him to do business with our country. Now, that is simply an example to show how we are checkmated in South America because of the fact that we have no delivery wagons, no shipping of our own, that \$500,000,000 of commerce done between South America and our country per annum is carried on in foreign bottoms, in the bottoms of big commercial rivals. The Europeans, whose arbitrary freight rates are established in a way so as to prevent the development of our commerce with those countries and to which we pay millions of dollars annually to carry these freights and at the same time help to maintain a system to cut our own throats commercially, help to maintain a system that will

keep us out of those markets and keep us from getting trade which otherwise ought to be ours if we had American transportation lines or our own delivery wagons to deliver our own goods to our customers instead of hiring the delivery wagons of our competitors.

The CHAIRMAN. Do you wish to insert those in the record?

Mr. STORY. I had sent you a copy of this, Judge.

The CHAIRMAN. Suppose you give the stenographer the data in reference to that, and that may go in the record at that point.

AMERICAN CONSULAR SERVICE,
Rio de Janeiro, September 28, 1911.

DEAR MR. STORY: I regret having missed you when you called this morning before my train arrived from Petropolis.

Regarding the official letter, which you request, concerning the rates on cement from New York, I do not feel that I could, without breaking confidence with the gentleman who gave me the information, furnish you with such a letter; but I would suggest that you have a talk with Mr. Kramer, to whom I inclose a card of introduction.

Sincerely, yours,

JULIUS G. LAY.

I shall return *The American Flag*, which I am reading with much interest, on Monday.

J. G. L.

RIO DE JANEIRO, *September 27, 1911.*

SIDNEY STORY, Esq.

DEAR SIR: Referring to conversation had, I do not hesitate to explain matters a little more in detail by writing.

Cement.—In February, 1910, I placed in the United States the first order of importance ever given for American cement and I was only able to compete with English and American cement, owing to the preferential tariff (20 per cent rebate) of duties, which the United States enjoy on this article. In January, 1911, I placed a somewhat larger order for same goods, but I already saw the unwillingness of the steamship companies to allow me the same rate of freight viz., \$3.60 per ton weight, but finally I was able to carry it through. In about June, 1911, I wanted to place quite a large order, of course always based on the same rate of freight, but the British steamship companies positively refused it, asking \$4.20, which, of course, is a prohibitive rate, and no further business can be done until we obtain from some steamship company the former rate.

Flour.—Very little American flour can be sold in the markets of South Brazil compared with Argentine and Brazilian flour, and this is only due to the fact that when the United States Government obtained the preferential tariff (20 per cent rebate) the steamship companies immediately raised their rate of freight, thereby canceling the difference in cost obtained through lower duties. When the United States Government obtained a further 10 per cent, making it, as at present, 30 per cent rebate on duties, the steamship companies again raised their rates, so that the United States Government practically worked for the British companies and the cost to-day, taking equal prices in consideration, is higher for American flour, as before when there was not any rebate on duties for flour.

Conclusions you can draw your own, as I think evidence is sufficient.

Yours, sincerely,

F. KRAMER.

[Copia da carta do Snr. Consul Geral dos Estados Unidos da America do Norte, G. Lay, dirigida ao Snr. Sidney Story, em data.]

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Regarding the official letter which you request concerning the rates on cement from New York, I do not feel that I could, without breaking confidence with the gentleman who gave me the information, furnish you with such a letter, but I would suggest that you have a talk with Mr. Kramer, to whom I inclose a card of introduction.

Sincerely, yours,

G. LAY.

[Traducção.]

CARO SNR. STORY: Sinto bastante que ainda não tinha chegado de Petropolis quando o Snr. visitou o meu escriptorio.

Com respeito a carta official que V. S. me pede referente as taxas de frete para cimento de Nova York, eu não me creio habilitado de fornecer vos a tal carta, sem incorrer na incivilidade de indiscreção para com o cavalheiro que me forneceu aquellas informações, porem atrevo me de suggerir vos de pedir uma entrevista e ter uma conferencia com o Snr. Kramer, para cujo fim eu vos forneço inclusa uma carta de recommendação.

Sinceramente, vosso,

G. LAY.

[Traducção da carta dos Snrs. Kramer & Co., Negociantes matricula dos, nesta Capital, dirigida ao Snr. Sidney Story, em data.]

RIO DE JANEIRO, 27 de Setembro, 1911.

ILLMO SNR. SIDNEY STORY: Com referencia a nossa entrevista, eu não hesito de explicar os differentes assumptos mais amplament por escripto:

Cimento.—Em Fevereiro de 1910 eu dei a primeira encomenda de alguma importancia até aquella epoca dado nos Estados Unidos para Cimento Americano e eu foi somente habilitado para competir com as marcas inglezas e americanas, por causa da Tarifa de preferencia (de um abatimento de 20 por cento nos Direitos da Alfandega) concedida aos Estados Unidos pelo Governo para este artigo. Em Janeiro deste anno eu dei uma nova encomenda ainda maior para o mesmo artigo, mas immediatamente eu encontrei pouca disposição da parte das Companhias de Navegação para conceder me a mesma taxa de frete como a anterior, resp. \$3.60 por tonelada de peso, mas finalmente consegui a applicação da mesma taxa. Em Junho do corrente anno eu queria dar uma nova encomenda, mas muito maior ainda do que as primeiras, naturalmente baseando me sempre sobre a mesma taxa de frete, porem as Companhias inglezas positivamente recusarão a tomar a minha encomenda, pedindo me \$4.20 pela tonelada, o que porem é uma taxa prohibitiva para realizar negocio neste artigo e agora não poderemos fazer mais negocios, até que obtermos de uma Companhia de transporte qualquer a primeira taxa.

Farinha de trigo.—Pouca Farinha americana pode ser vendidos nos mercados do Sul do Brazil em comparação com as Farinhas Argentinas e Brasileiras, e isto é sómente devido ao facto, que quando os Estados Unidos obtiveram do Governo a redução da Taxa Aduaneira de 20 por cento, como preferencial, as Companhias de Navegação immediatamente augmentarão a sua taxa de frete para este artigo, assim annullando promptamente a differença obtida no custo pela redução dos direitos de importação. Quando o Governo dos Estados Unidos obteve uma nova redução ainda de 10 por cento, perfazendo em total um abatimento dos direitos de importação de 30 por cento, como actualmente em vigor, as Companhias de Navegação promptamente augmentarão de novo a sua taxa de frete, de modo que practicamente o Governo dos Estados Unidos trabalhou effectivamente para as Companhias inglezas e o custo hoje (tomando em consideração preços iguaes de custo) de Farinha americana é muito mais elevada do que antes, quando ainda nao existia alguma Tarifa preferencial, resp. abatimento dos direitos de importação sobre a Farinha americana.

Deixo agora ao seu juizo de tirar as suas conclusões, porque acho que a evidencia é amplamente sufficiente.

Sinceramente, seu,

F. KRAMER.

Mr. STORY. You take the item of coal, for instance, in Brazil or Argentine. Now those countries have no coal at all, and the coal is supplied from Europe, from Cardiff, and coal ranges in price all the way from \$10 to \$25 and \$30 per ton. Sometimes on the La Plata it is \$25 to \$30 a ton. In Brazil, I remember when the United States battleship Delaware, carrying the body of the Chilean minister, stopped in the Bay of Rio, they took on 2,000 tons of coal there and paid \$18 a ton for it. Now here is a splendid field for American coal, although there is an educational campaign all through that country to the effect that American coal is very poor; that it can not be used for any purpose; that even the coal that is supplied to our war fleets in the United States comes from Wales; that it is Welsh coal—and here is a magnificent opportunity, with American transportation

lines, to develop a great business in coal. And one of the great comments, one of the universal comments—and to the surprise of all South Americans; in Brazil they are talking about it—is that when our battleship fleet went around the world and stopped at Rio, to the surprise and amazement of all those people, after viewing this magnificent armada, flying the flag of our country, to observe that all the supply ships to the number of some twenty odd, were all under foreign flags. They could not understand it, and great surprise is expressed in Buenos Aires, in Rio de Janeiro, and all through South America, that they never see the American flag at the stern of a merchant ship.

You can travel for a year around the Southern Hemisphere and you will never see the United States flag, unless it be at the stern of an occasional man-of-war that visits these waters, or on some pleasure yacht, but never at the stern of a merchantman, and they can not understand it. They often comment on the fact that we are building a great canal to unite the two oceans, to shorten the routes of trade, to create new routes of commerce, and at the same time we have not got a single American ship to take advantage of it, and we are a puzzle to them, because they admire our country and at the same time they know that we are an intelligent race, progressive and aggressive, and yet to them in the international game we appear to be fools, because we are building a great waterway for the benefit of our commercial rivals, who are going to use it, and they do not understand why we can not put in American transportation lines, and they look to us to do it and they are willing to assist us.

Now, the conditions that govern in the Amazon district are about as bad, perhaps, as any to be found. The transportation on the Amazon, between the Amazon and Europe, or to the United States, is entirely in the hands of Europe, and the Booth Line, which plies from New York up the Amazon, is a European concern, and the rates of freight are so high that it makes the cost of living in the cities along the banks of the Amazon, as far north as Iquito, very high, and the rates of freight to the United States on rubber make it so that Brazil is practically losing out on the rubber proposition and faces to-day a rubber crisis, because it has enabled the development—has stimulated the development—of rubber production of the Orient, Sumatra, and the Straits Settlements, and it is only a question of time, Brazil says, when the rubber industry of her country is going to be destroyed unless something is done, and that is the reason why the people of the States of Amazonas and Para are willing to subsidize an American independent line that will operate from the United States up the Amazon to Manaoas. And Brazilians say it behooves America to come forward and assist in the development of this line, because she is just as much interested as Brazil is in this rubber proposition, for the reason that if we permit the destruction of the rubber industry of Brazil then we will be absolutely in the hands of the English rubber production of the East, and our manufacturers, when they wake up, will find themselves tied hand and foot, and therefore we need to protect our manufacturers in this country in the rubber industry and the rubber importation, as well as to stimulate the development of commerce from our country to that vast and enormous basin of the Amazon. We need an American independent transportation line to

the east coast of South America as well as to the west coast of South America.

I have a letter here from the gentleman who at one time was president of Peru, asking that our people extend a line to the west coast of South America, touching at Peru. I have a letter here from the people of Venezuela. They are crying aloud for an independent American line to emancipate them from these conditions that govern throughout all South America, and we find that the whole world is getting ready for this great canal that we are building, adjusting its shipping so as to take advantage of the shortened routes of trade and commerce. We find that Ecuador is joining hands with Japan in the subsidizing of a line. We find that Argentine and Mexico are joining hands in the subsidizing of a line to the extent that Argentine to-day is selling flour in the West Indian Islands and in Costa Rica and Mexico as against United States flour. We find that even Russia and France recently, in the Chamber of Deputies, passed a bill subsidizing a line to the West Indies and South America. The whole world is doing it, and the United States seems to be the only one that has not taken any action in the matter.

Our people all through the Mississippi Valley and all through our country from east to west, in fact, from New York to the Pacific coast and from Minnesota to the Gulf, are studying this Latin-American situation. They want to reach out for Latin-American trade. They see its vast possibilities, but they realize the hopelessness of expanding our American commerce to that fair proportion which a nation of this kind ought to have, simply because of the lack of an American transportation service from the Atlantic and from the Gulf and from the Pacific, and it is absolutely impossible, in view of the combinations which exist in the ocean-carrying trade of the world, and especially as regards South America and North America. It is impossible for us to build up an American independent line unless we can be assured of return cargoes for freights, and unless we can be assured of some governmental assistance in the development of the fast passenger mail service to stimulate the development of commerce, and it has been often stated on the streets of Rio de Janeiro that these conference lines, three of which I have just named, the Lamport & Holt, the Prince Line, and the Hamburg-South American Line—that are all in a working agreement; in fact, a copy of the printed form which constitutes a contract between those conference lines and the shippers of South America I sent to the honorable chairman of this committee, and that form sets forth the rebates that are paid to the shippers of 5 per cent on a shipment of 100,000 bags of coffee and 10 per cent rebate on 300,000 bags of coffee, and it is an open secret among the people that whatever shipper violates this agreement by patronizing an independent line, now existing or which may hereafter exist, as was stated, that they would be further penalized by said lines refusing, so it is reported on the streets of Rio, from accepting or receiving any freights for said shipper for either Europe or the United States.

The CHAIRMAN. At that point will you put that form of agreement in the record?

Mr. STORY. Yes. I believe I mailed it to the judge.

The CHAIRMAN. At this point you may identify this memorandum of agreement by stating whether it is the form to which you refer.

Mr. STORY. Yes; that is the memorandum that I refer to.

The CHAIRMAN. You mean that is the agreement?

Memorandum of agreement, dated the ———, between the Royal Mail Steam Packet Co., of London, the North German Lloyd, of Bremen, the Hamburg American Line and the Hamburg South American Steamship Co., Lamport & Holt Prince Line Steamship Co., represented by the undersigned agents, hereinafter called the Combined Lines, of the one part, and Messrs. ——— of the other part.

1. That Messrs. ——— shall, commencing from the ———, employ exclusively the steamers of the Combined Lines for their shipments of coffee, whether direct or with transshipment from Rio de Janeiro and [or] Victoria to or via the ports of Antwerp, Rotterdam, Amsterdam, the Rivers Weser and Elbe, and to ports in the United States to the lines hereinafter mentioned.

2. In consideration of the foregoing each of the Combined Lines will pay to Messrs. ——— 10 per cent rebate on the freights of the quantity of coffee carried by its steamers, shipped by Messrs. ——— as aforesaid. Payment of the rebate is to be made within three months after August 31 of each year. No rebate to be paid on additional freight in case of transshipments from the ports mentioned in clause 1. If shippers should fail to fulfill their obligation to any of the lines, their claim for rebate to become forfeited with all Combined Lines.

3. The Combined Lines agree to charge equal rates of freight, and that during the continuance of this agreement they will carry the coffee of Messrs. ———, as required, at a rate of freight which shall not be more than 5 shillings sterling per ton in excess of that at which coffee can be shipped and actually received at the time in question by outside steamers, it being, however, understood that this rate of freight shall never be below 25 shillings sterling and 5 per cent per ton.

4. In case the Combined Lines fail to supply the available tonnage required at the above rate of freight by their own or chartered steamers within a reasonable time, say, 14 days from the date of requisition, or if their current rate be not in accordance with what is stipulated in clause 3 of this agreement, Messrs. ——— shall be at liberty to ship in an outside vessel or vessels, without prejudice to their right to rebate under this agreement, but in the latter event they shall, before engaging, produce to the agents of the Combined Lines in Brazil evidence as to the rate of freight at which they could ship by the outsider. It is understood that Messrs. ——— will not offer, directly or indirectly, any tonnage of theirs to other shippers at a lower rate of freight than their own rate.

5. This agreement to be valid until August 31, 1910, and to continue unaltered for a further year, and so on from year to year, unless three months' notice be given from the other side.

6. All disputes arising from this agreement shall be referred to arbitration in London under the terms of the arbitration act 1889. In any such arbitration all protests, certificates of brokers, surveys, and other mercantile documents shall be admitted in evidence for what they are worth.

7. Shipments by outside steamers up till the date of signing this memorandum are not prejudicial to the rebate.

In witness whereof the parties have caused the respective common seals to be hereunto affixed the day and year first above written.

Rio, the year and date aforesaid, August 31, 1909.

KONINKLYKE HOLLANDSCHE LLOYD.

LLOYD BRAZILIAN UNDER BRAZILIAN FLAG.

[Copy.]

SANTOS, January 10, 1912.

At a meeting of the undersigned agents of the Combined Lines Mr. Sandall communicated that Messrs. E. Johnston & Co. (Ltd.) had received a letter from the Rio agents of the Hamburg Lines, Messrs. Theodor Wille & Co., asking for the opinion of the Santos agents of the Combined Lines to a proposal made by the superintendent of the Royal Mail Co. in Rio that the rate of freight to Europe should be raised to 45 shillings and 5 per cent from Santos and 50 shillings and 5 per cent from Rio.

Messrs. Theodor Wille & Co. mentioned that the superintendent of the Royal Mail Co. had already once before, about a month ago, approached them on this subject, but that they had then refused to entertain the idea in view of an advance in freight being, in their opinion, particularly inadvisable while the bill relating to the subsidizing of the Mississippi Valley, South America & Orient Steamship Co. was under discussion in Congress.

After due discussion it was resolved that Messrs. E. Johnston & Co. (Ltd.) be requested to reply to Messrs. Theodor Wille & Co.'s inquiry to the effect that the Santos agents of the Combined Lines strongly disapprove of any advance in the rate of freight, it being their unanimous opinion that such advance would, as pointed out by Messrs. Theodor Wille & Co., be liable to still further indispose the Federal Government against the Combined Lines, and that the danger of competition arising would also be thereby greatly increased.

(Was signed:) Hamburg-Sudamerikanische Dampfschiffahrts Ges.; Hamburg-Amerika Linie; Norddeutsche Lloyd, Bremen; Koninklyke Nederlandsche Lloyd; Royal Mail Steam Packet Co.; Lamport & Holt Line; Rederi-Aktiebolaget Nordstjernan (Johnson Line).

[Prince Line (Ltd.). Agencia No. —, Rio de Janeiro. Newcastle-on-Tyne.]

CLAIM FOR REBATE.

RIO DE JANEIRO,¹ ———, 1910.

Messrs. ———.

We beg to give below a list of the shipments of coffee we have made from Rio de Janeiro and Victoria by the steamers of your line from September 1, 1909, until August 31, 1910, on the freight on which we are entitled to a rebate of 10 per cent, as per agreement.

We hereby declare that during the period named above we have not been interested, directly or indirectly, either as principals or agents, in other shipments of coffee from the above Brazilian ports to the ports of Antwerp, Amsterdam, Rotterdam, Copenhagen, and the Rivers Weser and Elbe or to ports in the United States of America, by any steamers other than those of the Royal Mail Steam Packet Co., the Hamburg Sudamerikanische Dampfschiffahrts-Gesellschaft, the Hamburg Amerika Linie, the Norddeutscher Lloyd, Messrs. Lamport & Holt, the Prince Line (Ltd.), or the Koninklijke Nederlandsche Lloyd.

(Signature must be that of the firm, or of a person duly authorized to sign for the firm.)

(Signature of shippers.) _____
(Address.) _____

N. B.—These particulars must accord with the bills of lading of the shipments.

Pap. Uniao Ouyidor 75.

Date of shipment.	Steamer.	Destination.	Marks.	Freight, including primage.	Per cent rebate.

(On margin:) Shipments at not below conference rates of freight and conditions, to the United States of America by steamers of the National Brazilian Line under the Brazilian flag, will not invalidate claims for rebate.

Mr. STORY. That is the memorandum; that is the form of the agreement.

The CHAIRMAN. Do you wish, also in that connection, to include this paper entitled "Claim for rebate"?

Mr. STORY. Yes; and in connection with that I should also file this memorandum, which is a copy of a resolution which was passed by the combined lines referred to and was sent to me from Brazil by Mr. Suter—Charles Suter, of St. Louis—who has just returned from a visit to that country.

The CHAIRMAN. That is of what date?

Mr. STORY. January 10, 1912, dated Santos, January 10, 1912.

The CHAIRMAN. And signed by these conference lines?

¹ This claim will be valid only if presented within three months from this date.

Mr. STORY. Yes; signed by these conference lines, which constitute not only the three lines, the Prince, the Lamport & Holt, and the Sud-amerikanische Line, but also the Royal Mail Packet Co. and the Hamburg-American Line, and the Norddeutscher-Lloyd Line, which, on the face, shows that the European conference lines operating between New York and South America are nothing else but a branch of the European shipping combine.

The CHAIRMAN. What do you know of the Prince Line and the Lamport & Holt Lines having been recently acquired by the Royal Mail Line?

Mr. STORY. In September, 1911, when I was in Rio de Janeiro, it was discussed, not only on the streets, but in the public print, that the Royal Mail Line had absorbed the Lamport & Holt and other lines, and in fact the agent of the Royal Mail Packet Co., Messrs. Wilson & Sons, of Rio, who were the agents of the Royal Mail Line, informed me that this combination had been made and the agency of the Royal Mail Packet Co. was taken out of their hands and put into the hands of the Lamport & Holt people at Rio de Janeiro.

The CHAIRMAN. Does this include the Prince Lines as well?

Mr. STORY. That I could not answer positively as to the Prince Line. It was also publicly discussed in the public prints that an offer had been made by the Royal Mail Co. to absorb also the Lloyd Braziliaro, which is the Brazilian national line, and which Brazilian national line was at that time, and may be for all I know again in working agreement or combination with these European conference lines, operating between the United States and the east coast of South America.

The CHAIRMAN. What reason, or upon what facts, do you base that statement?

Mr. STORY. I base that statement on this analysis, that in one of their agreements, which I remember seeing, it was specifically stated in the agreement that the shippers were prohibited from patronizing any independent lines—the Lloyd Braziliaro excepted.

The CHAIRMAN. Just a moment, to see if you have in mind the same clause that we have.

Mr. STORY. Yes; I refer to "Shipments at not below conference rates of freight, and consigned to the United States of America by steamers of the National Brazilian Line, under the Brazilian flag, will not invalidate claims for rebate."

The CHAIRMAN. That is the clause to which you refer, is it?

Mr. STORY. That is the clause to which I refer.

The CHAIRMAN. That is the basis for your statement, is it?

Mr. STORY. Yes; and what further strengthens my belief by reading, by having read some document or letter in which it was stated that at a meeting of the conference lines, held at Rio, that the conference lines refrained from raising the rates of freight at the time because they feared that by so doing it would prejudice the Brazilian Government against them.

The CHAIRMAN. Is it not this that is referred to in the minutes of that meeting, January 10, 1912?

Mr. STORY. Yes, sir.

The CHAIRMAN. You may state whether or not in the subvention under which the Lloyd Braziliaro received a subsidy from the Brazilian Government it is not expressly stated that they should have

it only on condition they would not make any agreement with these other lines.

Mr. STORY. No; I do not think it is so stipulated in the act granting them a subsidy, but I know through positive information that the Brazilian Government does not look with favor upon extending the agreement which has existed between the Lloyd Brasileiro and these other European lines.

The CHAIRMAN. But it is not prohibited in the act?

Mr. STORY. It is not prohibited in the act, because they never thought of it at the time.

Mr. STEPHENS. Mr. Chairman, can a copy of the Brazilian act be put in the record?

The CHAIRMAN. No, because we do not have it. Mr. Story, have you any evidence that that agreement of 1908 between these conference lines is still in force? Of course we usually presume a condition to exist until the contrary is shown.

Mr. STORY. I understand it is still in force, and I believe that that opinion is well founded in view of the fact that the steamers of the Pan American Mail which sailed from New Orleans in June, July, and August, loaded down with North American products, to Brazil and Argentina, came back without a pound of freight, and our agent at Rio informed us that it was absolutely impossible to get a pound of freight in view of the influences exercised by these lines over the shippers; and Mr. Charles Suter, who just returned from Brazil to St. Louis, also made that statement and so informed us.

Mr. HARDY. Does not this resolution of January, 1912, show substantially the same thing?

Mr. STORY. Practically the same thing.

The CHAIRMAN. The minutes of the meeting of January 10, 1912, tend to confirm your opinion that the agreement of 1908 is still in force between these conference lines?

Mr. STORY. Yes; still in force.

The CHAIRMAN. When your line sought freight from the shippers of Brazil, you say their attitude toward it was one of friendliness. Why would not they give you the cargoes?

Mr. STORY. Simply because the shipper in Brazil is terrorized and does not know his soul is his own, and it would mean absolute bankruptcy to him if he was to patronize an independent line; and that independent line was forced out. He would be penalized; and the conference lines would not only refuse him the rebates, but perhaps refuse to take his cargo also.

The CHAIRMAN. In other words, they take his freight on the conditions mentioned in that agreement, granting him deferred rebates?

Mr. STORY. Deferred rebates.

The CHAIRMAN. One of the conditions is he will not patronize any other lines, and if he should he will forfeit his rebates?

Mr. STORY. Yes; he will forfeit his rebates.

The CHAIRMAN. And be denied any additional shipping facilities?

Mr. STORY. They would deny shipping facilities, and that was the word passed along the line in October, 1911, when I was in Brazil; they did not put it in writing, but I was informed by people in business that the word had been passed along the line. The threat was made that if they patronized our independent American line when it started,

they would not only lose their rebates, but the conference lines would refuse to accept any cargoes for either Europe or the United States.

The CHAIRMAN. Are you offering a better rate than the conference lines' rate?

Mr. STORY. Well, we were not cutting any rates. We never intended to cut any rates, and the rate that we were charging going down and coming back was practically the same rate that is being charged now by the conference lines. There was only one line which I understood had started to cut rates, and that was a line which operated from Mobile to Brazil and Argentina, known as the Munson Line. The Munson Line started from Mobile after the Pan American Line had started from New Orleans. It was frequently stated that as soon as this independent American line started from New Orleans, that the shipping combination would put on a line alongside of it to run it out. When the Munson Line started from Mobile to South America, I was in Chicago at that time and I wrote to our people and I said, "I believe that this Munson Line is a shipping trust combination proposition," because not only did it start from Mobile after we had started, but, as I understood, was also cutting rates, which a new line would scarcely do on the jump, and was operating steamers from Mobile to Brazil and Argentina, and sending them over to Europe, with no intention to establish a regular and dependable service for developing commerce, which showed to me it was shoved in there for the purpose of running out our line.

And then, following on the heels of that, the Lamport & Holt—they have an agent in New Orleans who receives ships as they come in from the south with coffee, and this agent in September last was booking freights for the *Terrance*, of the Lamport & Holt Line, and I met the son of the Brazilian consul at New Orleans on the streets of Chicago last October. He is an American, and his father is a big coffee importer, and he told me that the Lamport & Holt people were going to start a line from New Orleans. Well, I wrote to our people that I believed that was carrying out the threat they had made when I was in Rio, as it had reached me that they were going to start in a new line alongside of us to run us out. Our press took that up. The agent of the line denied it, however. When the Pan American boats came back empty, our people concluded it was no use to keep the line going and continually meet with a loss on the return voyage. It was then announced that the Lamport & Holt would not take any freight to New Orleans for South America.

Mr. HARDY. After you had abandoned your enterprise?

Mr. STORY. Yes. You see the conference lines—their object is to confine the commerce of the United States to one port as much as possible, so as to prevent its too rapid development. A line from the Pacific and from the Gulf and the Atlantic would mean a rapid development of American trade, their idea being to confine it as much as possible to one port, and that is New York.

Now, as a matter of fact, the American consul general, Mr. Lay, stated to me, in January, 1912, that he had official information to the effect that at that time there was a hundred thousand tons of freight in the warehouses on the docks at New York awaiting transshipment to South America, which shows that there is an inadequate service. Besides being primitive, especially in regard to transportation of passengers and mail, it is absolutely inadequate for the purpose of com-

merce, as I know from a personal experience with Mr. Suter, of St. Louis. We bought a Victrola for a friend of ours in Rio and paid the expressage from St. Louis to New York, so that it could catch the steamer, and that package remained on the docks in the warehouse there of the company for possibly 30, 60, or 90 days. In other words, the shipment was made in February last year and did not reach Rio de Janeiro until the end of September last.

Mr. HARDY. Let me interject just one question there: Is it not possible, and not only possible but reasonable, to suppose that the purpose of concentrating freight from North America to South America in one large port may be as much to facilitate the railroad combinations and to enable them to transport that freight at a less cost to themselves, and have the rate charged in their own hands, than it would if they scattered their receiving ports all along down the Atlantic to the Gulf ports? In other words, is it not probable that it is just a vast conception of the lines to run the freight into this port from North America to South America, so far as possible, to aid the shipping companies, regardless of the charge to the shipper?

Mr. STORY. No, it is not, for this reason——

Mr. HARDY. Your idea was it had been to keep down development. Now, my idea is that their objection to the establishment of a branch was just that it would be more convenient to handle and could be handled more expeditiously and with greater profit to New York. What do you think about this proposition?

Mr. STORY. I will answer you by saying that the majority of the freights from North America to South America are shipped from centers in the valley.

Mr. HARDY. The Mississippi Valley?

Mr. STORY. The Mississippi Valley; yes.

It is cheaper to ship through the Gulf ports if you have the transportation facilities than it is through the Atlantic ports, because it is cheaper to operate down grade than over mountains. And it is for that reason that the port of New Orleans, despite the fact that she has no transportation to South America, is to-day an immense coffee importer. In years back all the coffee was imported via New York, and it was not until after our merchants, not only in New Orleans, but the merchants of the valley, made a great hue and cry for the reception of their coffees from Brazil through the Gulf ports that these conference lines finally put on these occasional tramp ships that land coffee on our wharves and leave the port in ballast and go either to Europe or somewhere else.

Mr. HARDY. I have not much faith in that idea of the patriotism of corporations or capital. I believe that money seeks its most profitable channel of trade, and corporations, frequently railroads, often ignore the laws of gravity and of nature, too. Going up hill does not make much difference to them if it is a question of money. In order to control and dominate this matter, I do not believe—and I just want to direct your attention to that—that it is probably patriotic motives or any desire to favor Europe in preference to America. The purpose they have is to absolutely dominate every pound of freight that goes on the water. Is it not probable that they can do that better by centering their export from the United States in New York, say, where the bulk of their import comes, than at some Gulf port?

Mr. STORY. No. As I stated before, it is much cheaper to ship by one of the Gulf ports. If the roads operating east and west think the same as you do—which they do in fact—the roads running north and south think the same way, don't you see? Now, it has not been a lack of freights, because we have had freights galore, more freights than we could care for, freights enough to keep six ships busy, which shows that all the development of American transportation lines on the Atlantic, the Gulf, and the Pacific—that we will have all the freights all these lines can carry to the south, because there is business enough in South America to keep these lines busy.

Mr. HARDY. Your idea is they shun the Gulf coast ports just simply to prevent the development of the intercourse between them and South America?

Mr. STORY. Absolutely, because they want to keep the South American field as their preserve. Just as for the last 100 years, European shipping, and notably British shipping, has always been operated in a way to prevent the development of American commerce. The ships that leave Liverpool loaded with the products of British factories; or Hamburg, with the products of German factories; or Havre, with the products of French factories, will sail to the West Indies or South America, unload the products of their manufacturers, come to New Orleans, for instance, and take bulk cargo, like cotton or wheat, and go back; but they will never operate from our port back to those countries, because that would enable our manufacturers then to ship by those lines and develop our trade.

There is another example which is possibly more glaring.

Mr. HARDY. Do you mean to say that an empty vessel, coming to New Orleans, will go back by way of Cuba empty when she could get cargo?

Mr. STORY. You mean a foreign vessel that comes from Liverpool to the West Indies?

Mr. HARDY. Yes.

Mr. STORY. They unload those British manufactures—of course, there is always some stuff they bring to New Orleans, but they come in and get our bulk cargoes, and they go back to Liverpool, or Hamburg, or Havre.

Mr. HARDY. Isn't it perfectly natural, if they have a cargo from the West Indies, to carry it from there, and then if they have a cargo for Galveston or New Orleans, to carry that there, and then go back to Europe again? That is a round circuit.

Mr. STORY. Yes.

Mr. HARDY. Is not that natural?

Mr. STORY. Perfectly natural, and what I would do were I in their place.

Mr. HARDY. Is not that a matter of business?

Mr. STORY. That is a matter of business, not a matter of sentiment. It is a matter of business and what I should do were I in their place.

Mr. HARDY. Wouldn't you do it if you were an American shipper—and American ship owner? If you had an American ship and engaged in that business, and if you had a cargo for the West Indies, and then a cargo for New Orleans, and then a cargo from New Orleans to Europe, wouldn't you take that same route?

Mr. STORY. Yes; but American shipping under the supervision of the Government, operated as a dependable and regular line for the purpose of distributing commerce—I could not do it.

Mr. HARDY. Oh, not if you were required to do that.

Mr. STORY. I do not blame the Europeans for taking advantage of every move on the chessboard, don't you understand? But what I am saying is that for the development of American commerce you have to have a regular and dependable service between North and South America.

Mr. HARDY. There is no question about that. I want to get at this patriotic proposition. Is it not a fact that shipping owned by American capital but under foreign flags pursues just the same course that the shipping owned by foreign capital does?

Mr. STORY. Of course, I could not answer that exactly, but I would say this, that perhaps in a measure it is true, for the reason that whatever shipping may be owned by Americans under foreign flags is so small an equation that naturally they are made to toe the mark and do exactly what the great international shipping combine forces them to do.

Mr. HARDY. Now, Mr. Clews says it runs into hundreds of millions of dollars—I do not remember how many—this American-owned shipping under foreign flags. The point I want to get at is this, that transportation is going to follow the line of traffic. You can not make a line of traffic and make transportation follow it.

Mr. STORY. No.

Mr. HARDY. And yet the purpose of an American going into this matter just to establish a line with all that commerce would be to make traffic follow transportation.

Mr. STORY. And there is traffic; there is ample traffic. There are cargoes galore to the South. There are cargoes galore from the South northward. But there is no necessity to zigzag back and forth.

Mr. AYERS. On that very line, are there any ship lines that sail from Liverpool to your port of New Orleans full and then carry your cargoes to these Brazilian ports and then back to Liverpool?

Mr. STORY. No.

Mr. AYERS. And yet they could carry full cargoes all three ways?

Mr. STORY. Yes.

Mr. AYERS. But they do not do it?

Mr. STORY. No; that would be against the policy of that nation.

Mr. AYERS. Does not that answer your question, Judge?

Mr. HARDY. No; because I do not think there are any boats from Liverpool to Galveston with full cargo.

The CHAIRMAN. We are losing sight of the purpose of the inquiry here. The question is what influence these other lines have on our commerce; in other words, is there any combination of capital the effect of which is to discriminate against us?

Mr. HARDY. Yes; that Mr. Story makes quite clear.

Mr. STORY. There is one example I want to state to you. For instance, you take the European conference lines that operate from New York to the east coast of South America upon which we are absolutely and abjectly dependent. Do you know on their downward trip they do not stop at the West Indian Islands—Barbadoes or Trinidad; they only stop on the way back. The reason is this: If they stop on the way down, the first thing you know all the West Indian

Islands would be trading with New York or other United States ports, and it would help the development of the United States commerce with those islands. Whereas, the object naturally of England—and you can not blame her—is to keep these people trading with the home country by the steamers that operate from Liverpool to the West Indies.

Mr. HARDY. That is the only objection I have to your conclusion—that it is the object of those countries. Is it not the object of the shipowner?

Mr. STORY. It is the object of the shipowner; and it is the object of England and of the shipper, for this reason; I think a study of the question will prove conclusively that ships work for their countries; that the International Mercantile Marine, which is constituted by the merchant fleets of Great Britain, France, Italy, and Germany—that those merchant ships are subsidized to the extent of many millions of dollars by those countries, the object being to operate their lines in such a manner as to help develop the commerce of those particular countries.

Mr. HARDY. The only objection I have to your statement is your observation that ships work for their countries. Do you think they would sacrifice their interest to work for the interest of their country?

Mr. STORY. Certainly, for the simple reason that their Governments are helping them.

Mr. HARDY. It is their interest that prompts them?

Mr. STORY. They are interested, naturally.

Mr. HARDY. They are working for their own country in so far as their country backs up their interest, and no more.

Mr. STORY. Yes.

Mr. HARDY. That is capital, is it not?

Mr. STORY. Capital.

Mr. HARDY. I think Mr. Story presents that question of these discriminations very forcibly.

The CHAIRMAN. You may go ahead with your statement, Mr. Story.

The CHAIRMAN. Are you through with your statement?

Mr. STORY. Yes, Judge; I do not know that I can say any more.

The CHAIRMAN. Mr. Story, what other obstacle did you have in the way of getting freight—return cargoes from Brazilian ports—than this rebate agreement, to which you refer?

Mr. STORY. Well, I do not know, Judge, that there was any other obstacle, because we are informed by our representatives down there that at the time that our ships put into the Brazilian harbors, of Santos, especially, that there was an immense amount of cargo waiting transportation to North America, but, of course, which cargo was controlled by those shippers who naturally are in this working agreement with the conference lines, and if it had not been for this agreement and the terror of the shipper—

The CHAIRMAN. You say, “except for this agreement.” Did they urge that as a reason why they could not give you cargoes—that they had that arrangement with the conference lines by which they were granted rebates?

Mr. STORY. Of course, the shippers say very little, for the simple reason that the shipper is not independent enough to assert himself. I find that even in discussing this problem or question with the

importers in our own country, a disposition on the part of our own coffee importers to take a back seat, so to speak, and keep in the dark or in the background, for fear that their business interests might possibly be antagonized in some way, and the fact is all the more emphatic in Brazil, for the reason that every shipper in that country is absolutely dependent upon these conference lines to handle their cargoes either to Europe or to the United States.

Mr. HARDY. These lines have the life and death of these shippers in their hands?

Mr. STORY. Yes.

The CHAIRMAN. And here you came with a new offering to carry their burden?

Mr. STORY. Yes, sir.

The CHAIRMAN. They declined to patronize you for that reason?

Mr. STORY. Yes.

The CHAIRMAN. In other words, gave them a selfish reason?

Mr. STORY. Yes.

The CHAIRMAN. In the way of rebates, but you were not proposing to give them any better rates than these foreign lines, nor were you proposing to give them any better facilities, were you?

Mr. STORY. No; not for the time being, anyhow.

The CHAIRMAN. No. Well, what inducement would there be for them to patronize your lines as against the foreign lines?

Mr. STORY. For the simple reason that the rates of freight now between North and South America are rather high, as everybody will admit, and the establishment of independent lines would naturally in the course of a very short time lead to the regulating of those freight rates so as to make them reasonable. Therefore, the independent shipper—and I have spoken to a number privately in the privacy of their sanctum—stated that they would look forward with hope to the establishment of independent lines, because they were paying too high a rate of freight, and at the same time they were abjectly dependent upon this combination which was in favor with the average shipper.

The CHAIRMAN. Did they contend that their facilities were not sufficient between Brazilian ports and the United States?

Mr. STORY. Yes; especially in regard to mail-passenger service, because, as I stated before, here is Brazil and the Argentine, who have got all the way from 10 to 12 magnificent transportation lines, not only for cargo but for mail and passengers.

The CHAIRMAN. That is to Europe?

Mr. STORY. To Europe. The great United States of North America only practically have one, and it is very primitive, and at that time very inadequate, and takes 18 or 20 long days at sea, cooped up in a badly ventilated ship, and with miserable food, before a passenger leaving New York can land in Rio or Buenos Aires. The result is, it discourages travel.

The CHAIRMAN. What line is that?

Mr. STORY. That is the Lamport & Holt—as compared to the magnificent service which exists between Europe and South America.

The CHAIRMAN. Well, then, of course these foreign lines do not give the same facilities for passenger and mail between South America and North American ports as they do between North America and European ports?

Mr. STORY. No.

The CHAIRMAN. Well, do the Brazilians demand better facilities in that regard?

Mr. STORY. The Brazilians demand better facilities and go far enough to say that they are willing to join hands with our people in some form or other to help put on a vast mail-passenger service, that will develop not only travel and commerce as a natural sequence, but also enable the quick delivery of mail, because the great complaint between merchants of the south shipping to the United States or our own shippers in the United States to the south, is that our mail has got to go oftentimes by a roundabout way, which is very inconvenient and means a loss to a man who is sending his draft and bill of lading to the shippers in South America.

The CHAIRMAN. What are your freight facilities from New Orleans port, say, to Brazil?

Mr. STORY. None at all. We have none.

The CHAIRMAN. Did not the Lamport & Holt Line go in there at one time?

Mr. STORY. The Lamport & Holt Line did not go in there, but in September whilst we were still operating, the agent of the line was booking freights for one of their ships, the *Terrence*, which was to come to New Orleans and take this southbound cargo, a thing which it never had done before.

Mr. HARDY. That was while you were operating?

Mr. STORY. Yes; but when we withdrew from the field, our ships having come back empty, then it was given out that the *Terrence* would not come.

Mr. HARDY. Why was it that the Brazilian Government utilized, with their \$500,000 subsidy, the Italian line instead of some of the American lines?

Mr. STORY. Well, they have subsidized an Italian line in order to help develop Italian commerce and immigration between Italy and Brazil.

Mr. HARDY. You spoke of their being ready to help an American line, or something like that.

Mr. STORY. They are disposed to assist an American line toward the establishment of a rapid passenger-mail service, provided our own Government does something toward the same effort, in some form or other.

Mr. HARDY. In other words, if we will unshackle the traffic they will put some money in?

Mr. STORY. They will subsidize it just like they subsidized the Italian lines, all of which shows the desire and the anxiety of Brazil as a people and a country to do business with North America, and she is doing considerable business, it is true, but they argue from the standpoint that it is just as dangerous for them to have such an enormous trade balance as not to have any business at all, for the reason that we might go to work, you know, and help develop the coffee production of some other country, instead of being satisfied to trade with them alone, and for that reason they want better facilities between North and South America, and between Brazil and North America, so as to enable not only our people to travel to their country and their people to travel to ours, but to enable them also to get in

better with our manufacturers, so that instead of \$100,000,000 trade balance being against her——

Mr. HARDY. Just another question along that line. Is that \$500,000 subsidy or subsidized line by the Brazilian Government a member of the international foreign shipping combine?

Mr. STORY. I do not think so.

Mr. HARDY. What line is that?

Mr. STORY. It is an Italian line.

Mr. HARDY. What is that Italian line, the name of it?

Mr. STORY. I have forgotten.

Mr. HARDY. And you think that is not in the combine?

Mr. STORY. That I do not know.

Mr. HARDY. You can not remember. I would like to have the name of that ship line inserted in your testimony before you have it printed.

Mr. STORY. Here [referring to a newspaper clipping], for instance, is an item of interest, in the shape of an interview given by the prime minister or secretary of state of Brazil, Lauro Muller, who speaks about Brazil being eager for closer relations with the United States. The minister, among other comments, here states:

I am so convinced of this that I am sure the Brazilian Government would gladly grant a subsidy to a company operating such steamships if the United States Government would do the same. The participation of these two Governments, and probably that of others in South America, would greatly simplify the subsidizing of a line of fast mail and passenger boats.

You were speaking of the National Line, of which he was the nestor at one time. That simply shows, Brazil speaking through the mouth of her prime minister, what the situation is.

Here is practically the same thing from Dr. Rouque Saenz-Pena, the President of Argentina, where he states, among other things:

I still think now, as I did then, that it is necessary to increase the communications between the two countries. Those existing now I consider inadequate, and I advocate more rapid and direct steamship communication.

Mr. HARDY. Mr. Story, roughly speaking, is it or not a fact that Europe has the commodities in demand in Brazil and the Argentine which she can sell to them cheaper than we can?

Mr. STORY. I do not think so, for the simple reason that in machinery and hardware and agricultural implements we have practically driven the Europeans out of the Argentine field in the last few years.

Mr. HARDY. You are right in that, but I am talking about clothing and woolen goods, and the general articles of manufacture, outside of machinery.

Mr. STORY. There may be some things in which perhaps Europe can outbid us, but there is no reason why we can not sell American shoes in South America, since we sell them to Germany and France and England.

Mr. HARDY. Are not we getting in our machinery in that country and the stuff we can undersell?

Mr. STORY. We are getting it gradually in.

Mr. HARDY. I would like to know, as a matter of fact, whether we are not selling our shoes there, too?

Mr. STORY. We are selling some shoes, but not in proportion to what we should, in view of the vast demand there is for articles of every description in South America.

Mr. HARDY. Articles of every description come there cheaper from Europe than they do from us, except machinery and shoes?

Mr. STORY. I do not think so, because there are a great many other things that they buy in this country; for instance, in order to stimulate the development of commerce, Brazil, as I stated a moment ago, has practically entered into reciprocal agreement with us, to the extent of giving us 20 per cent preferential on 19 articles manufactured in this country, furniture, cement, and other things, and 30 per cent on American flour.

Mr. HARDY. Do you think that if there was a cargo there and cargo back—that is, if we had the shipments going down and coming back—that business interests would not establish a line to carry it?

Mr. STORY. One would imagine so, but now the business interests argue from this standpoint, which is natural: For instance, in 1880 there was established a line between the United States and Brazil. The Brazilian Government subsidized it to the extent of \$95,000 per annum, but the United States only gave that line \$3,000 to carry its mails. That was not sufficient, and the result is that the line had to go out of business.

The CHAIRMAN. In other words, the manufacturers of this country recognize that as an inviting field?

Mr. STORY. Yes.

The CHAIRMAN. Brazil says, "We will be very glad to trade with the merchants and manufacturers of the United States, but we will not do so unless the Government will subsidize lines in that place to carry our commerce"; in other words the business men say this: "We did it once where they carried 80 or 90 per cent of our trade."

Mr. STORY. That was before the days of rampant subsidies given by other countries. We know our Government has got to do something in the way of financial aid or legislation that will protect not only our commerce and encourage our shipping, because our shipping must be placed upon the same competitive basis with the shipping of other nations who receive from the coffers of their Government millions of dollars in subsidies, otherwise an American transportation line could not stand against such a disadvantage, and would have to go out of business.

Mr. HARDY. You think, then, that if other Governments did not subsidize there would be no need of this Government subsidizing?

Mr. STORY. I do not think there would be.

Mr. HARDY. This line that you spoke of as having a subsidy of \$95,000 a year from Brazil and \$3,000 in this country still would not subsidize heavily enough to live?

Mr. STORY. It went out of business.

Mr. HARDY. What did you say?

Mr. STORY. It went out of business.

Mr. HARDY. Did it have the freight?

Mr. STORY. I do not know. That is away back in 1880.

Mr. HARDY. The question we want to get at is whether that vessel was crippled by something you tell us of now or whether it did not get the freight. Did the vessel get the freight and the subsidy of \$98,000?

Mr. STORY. I would not think that vessel could not get the freight then, because at that time or at that period our commerce was not

sufficiently developed with those nations to the south, nor did there exist at that time the combines on the sea as we have to-day.

Mr. HARDY. They neither had the freight nor the combines?

Mr. STORY. Yes.

Mr. HARDY. In other words, combines follow the freight?

The CHAIRMAN. To-day your company could buy ships abroad for this South American trade, which is tantamount to saying that if you could buy them at less cost than you could buy them from American shipyards you could contract with the Postmaster General for the mails between American ports and South American ports under the ocean mail act of March 3, 1891, which, if your ship was a 16 knot, would be \$2 per mile on the outward voyage. You say you have great quantities of freight in this country that are awaiting shipment to South American ports, and there are great volumes of freight there awaiting shipment here. I confess I do not see what is the matter with our American manufacturers and shippers, unless they are hypnotized by this old notion which has grown up under our protective tariff system that they can not do anything unless the Government is back of them.

Mr. STORY. I will answer that, Judge, by this statement. In the first place, operating a freight line and a passenger line are two different propositions. A freight line, practically speaking, needs no subsidy, per se. All that a freight line needs is legislation of some kind and character that is going to protect it against rebates or unlawful competition, and give it an equal and fair chance to live; that is all, but a mere passenger line naturally has a different proposition, because you have got to have larger ships, passenger ships, finer machinery, more expensive crews, and so forth. Now, the mail subsidy or mail contract of 1891, that you refer to, where the United States Congress gave \$2 per mile for 16-knot ships, is not enough.

The CHAIRMAN. How much of the outward voyage—what is the difference between here and Rio?

Mr. STORY. Two dollars on the outward voyage, 5,000 miles, or \$10,000 a month.

The CHAIRMAN. That much on each outward voyage?

Mr. STORY. Each outward voyage, because in order to develop passenger and mail service it has got to be up to date in every particular and comfortable; it has got to burn coal, and be a rapid ship. Therefore it has been absolutely proven the amount of \$2 per mile for outward voyage for a mail-passenger service is inadequate, and that is the reason why Brazil, after that was pointed out to her, said, "Now, here, that is all right. If the Government can increase that, we will make \$4 a mile, if your Government will make it \$4 a mile." Of course, under that act of 1891, there are a great many other things which have got to be cut out. A great many things are in there which are absolutely onerous. The act provides that ships should be operated by so many men, or the crew shall be constituted of so many people, and so forth; that should be left to the discretion of the management. They might be all Americans, it is true; or that feature of it might be left out, too, and let you employ whoever you can.

The CHAIRMAN. They would employ sailors, just like our American ships in the coastwise trade, foreigners.

Mr. STORY. That act is defective, and that act should be remodeled in order to make it practical.

The CHAIRMAN. I do not think any attention is paid to it by our subsidized lines.

Mr. STORY. The only line that reaps the benefit of it is the American Line.

The CHAIRMAN. Between here and Europe?

Mr. STORY. Yes.

The CHAIRMAN. I do not think they pay any attention to that feature of it, the requiring of seamen to be Americans. I am not sure of that, but it is my information.

Mr. STORY. But the passenger service always loses money, as a general proposition, and is only operated as an advertising feature, although rapid mail and passenger service develops travel, which develops commerce.

The CHAIRMAN. I think that is sound logic, top.

Mr. STORY. Yes.

The CHAIRMAN. Going back to the relation between these conference lines, have you any other proof to give to this committee to the effect that these lines are in a pool or conference or agreement?

Mr. STORY. I have no other proof, and it is rather difficult to obtain any direct proof, although it is universally admitted by everybody who knows anything about the subject, that that combination does exist, and that those conference agreements do exist, although there is no direct proof, and it is very clearly stated by some, as I have had it stated to me in Brazil. When I was there, a man said, "What is the use? You can not get any direct proof against these people, because they have provided against that. They operate in such a way that they say it is impossible for the United States to do anything in the premises, for the reason that they can not get a copy of the actually signed agreement, although everybody knows the thing does exist."

The CHAIRMAN. We know this, that these lines are in a combination by which they pool their business.

Mr. STORY. Yes.

The CHAIRMAN. Is that agreement to carry a certain proportion of the tonnage—one-third was the amount stipulated?

Mr. STORY. Yes.

The CHAIRMAN. If either line carried more than a third, unless under extraordinary circumstances, that line was penalized. Then, again, as between themselves and the shipper, if the shipper patronized them to the exclusion of all other lines, except under extraordinary circumstances, they should receive a certain rebate—5 or 10 per cent, under different circumstances?

Mr. STORY. Yes.

The CHAIRMAN. That, however, is payable after six months?

Mr. STORY. Yes.

The CHAIRMAN. In the meantime, if they should patronize any other line, they would forfeit this rebate?

Mr. STORY. Yes.

The CHAIRMAN. That is one of the ties that binds the South American shipper to these lines?

Mr. STORY. That is correct.

The CHAIRMAN. And when your line went in there you found this close combination existing, and you say you did not propose to carry freight for a less rate on the home voyage?

Mr. STORY. No, we did not offer to carry freight at any less price because we felt that it was not proper at that time to start in cutting rates, and we felt that the shippers were paying the existing rates, and that there was cargo sufficient for our line if the shippers had only been disposed to ship by the line, and, of course, which they could not do for the reason just mentioned.

The CHAIRMAN. In the first place, you did not offer them a lower rate?

Mr. STORY. No.

The CHAIRMAN. You did not offer them any better facilities?

Mr. STORY. No.

The CHAIRMAN. These other lines had been in the trade for years past; the shippers had reason to believe they were permanent and that their facilities would be permanent; that you were new in the field, and it was a problem whether or not you would continue in the service, and hence as successful business men they felt like they could not afford to take the chance, even if there was no other reason. Is not that true?

Mr. STORY. No; it looks that way on the surface.

The CHAIRMAN. Yes.

Mr. STORY. And that is, of course, what the opposition said—that is the standpoint from which they argued.

The CHAIRMAN. That would be the most natural thing for you to say, would it not? You say you got full cargoes from New Orleans to South America?

Mr. STORY. Yes.

The CHAIRMAN. You found this combination existing down there. The first thing, in order to divert trade to your lines, would have been a less rate, would it not?

Mr. STORY. Well, that would have brought on a rate war.

The CHAIRMAN. You felt you were not financially strong enough to stand it?

Mr. STORY. We felt that it was not the right thing; that it was not policy—not politic at that time for the reason that we were a new line, and there were ample freights waiting transshipment to the North, and the existing rates were more or less satisfactory to the shippers; there had been no complaints so far as we knew. We were informed by our agents that the conference lines' agents in those countries absolutely stated that we would not get a pound of freight, and that they would see to it that we did not.

The CHAIRMAN. I can understand how it came that you did not get any under the circumstances. You were not offering any better facilities; you were not offering any less rate, and they were getting this deferred rebate, in addition. A level-headed business man would be inclined to think it the wise thing to do, to stay in the combine.

Mr. STEPHENS. Mr. Story, did you use the argument with Brazilian shippers that if independent lines were established eventually the freight rates would be reduced?

Mr. STORY. Oh, yes.

Mr. STEPHENS. What was their answer to that—their verbal answer?

Mr. STORY. The shippers in Brazil, of course, are noncommunicative for the simple reason that it would be almost business suicide for them to express themselves, from the fear that the conference lines would penalize them in some way or other. I know that.

The CHAIRMAN. Is there any economic reason for the deferred rebate system adopted by those conference lines?

Mr. STORY. Any what?

The CHAIRMAN. Any economic reason for the adoption of the deferred rebate system by the conference lines?

Mr. STORY. I do not know that it is done, except with the idea of enabling the conference lines to get the shippers into an agreement where they could hold them.

The CHAIRMAN. Offering them a financial inducement?

Mr. STORY. Yes.

Mr. AYRES. I should like to ask a question. How many voyages did your vessels make from New Orleans?

Mr. STORY. We only made one voyage.

Mr. AYRES. One voyage down?

Mr. STORY. Yes.

Mr. AYRES. That was the only trip you went down?

Mr. STORY. Yes, and for this reason: The business men in the Mississippi Valley with whom we had been in close touch all these years back, and who are ready and prepared to put millions of capital into an American independent shipping line, always use the argument—advance the argument—that it is impracticable to do so until such time as our Government will protect American shipping, or the American shipping line by legislation that will not only encourage it, but will at the same time prohibit illegitimate tariffs and illegitimate combinations. But a portion of our people, some of our friends, said, "Well, now, we do not believe that our Government is going to stand idly by and see all American efforts wiped out, and we believe that the time has come and is ripe for us to start this line, and let us start it." And the result was that a few of our friends got together and they said, "Now, here, we will put up the money sufficient to start this line, and if we find it is absolutely so that it is impossible to create an independent American line, that the combination on the ocean is such that they control the shippers in South America to the extent of prohibiting an American line from receiving a pound of freight, then let us find it out if it is so, and if it is so we will withdraw from the field until such time as we can get the right kind of legislation as will inspire us with confidence to put our money in the enterprise."

Mr. HARDY. Judge Alexander's proposition was that you did not offer them as good rate as they had because they had no rebate coming to them?

Mr. STORY. Yes.

Mr. HARDY. Was it reasonable for you to expect business men to pay more than they paid the people they were already dealing with?

Mr. STORY. We offered them inducements, we offered them a price, do you not understand, which was equivalent?

Mr. HARDY. You considered that by making them an allowance for that deferred rebate you were giving them a present price that was equivalent to that, with the rebate taken off?

Mr. STORY. Yes.

Mr. HARDY. Then you could not get it? That is what you mean?

Mr. STORY. Yes.

Mr. HARDY. That is a little different.

Mr. COLLIER. How many ships did you have? Just one?

Mr. STORY. We had just one. At the start we chartered ships, and we chartered three ships.

Mr. COLLIER. How long did your line continue? You say you made one trip?

Mr. STORY. Just one trip.

Mr. COLLIER. How many vessels?

Mr. STORY. Three vessels.

Mr. COLLIER. You sent all three of them off?

Mr. STORY. In June the ships went out, and the ships came back in October or November.

Mr. COLLIER. All three of them practically empty?

Mr. STORY. When we found we could get absolutely no cargo for them we discharged the other two at the other end.

Mr. STEPHENS. Did they all leave New Orleans at about the same time?

Mr. STORY. They left at intervals of 20 or 30 days apart.

Mr. STEPHENS. You made but the one attempt to obtain return cargo?

Mr. STORY. For all three, but we found when leaving the Brazilian coast that it was impossible to get any freight, and we disbanded the ships.

Mr. AYRES. What sort of ships were those?

Mr. STORY. Freight ships.

Mr. AYRES. Cargo carriers?

Mr. STORY. Cargo carriers.

Mr. AYRES. About how many tons?

Mr. STORY. One was about 10,000 tons, and the other two 8,000 tons each.

The CHAIRMAN. Is it not the position of those lines, which give regular service from one port to another, that in order to give a regular and a good service it is necessary to be assured of a constant patronage? Do not they claim that they must be protected against the shipper using a line service just whenever it suits his convenience, and then patronize a tramp that comes along if it suits his convenience, and resort to low freight rates or to a tramp service whenever it is available, or suits his convenience? Do not they claim that the deferred rebate system is simply a discount or a payment in return for loyalty and for efficient and regular service?

Mr. STORY. Well, Judge, I do not know what they claim. Of course, naturally, a shipper would look with favor upon a line that he knows has come to stay. That unquestionably would be true. But, at the same time, a line starting in under the circumstances which now exist, and being absolutely convinced that because of this gigantic combination it is absolutely impossible to break in because of lack of support——

The CHAIRMAN. You were unable to guarantee them like service to that which they were now receiving through the conference lines?

Mr. STORY. We had to withdraw because we could not run our ships without cargo.

Mr. HARDY. I should like to know if you were ready to guarantee that permanency of service in case you could get the cargoes?

Mr. STORY. Yes.

Mr. HARDY. Did you tell them that you would, to get that line running?

Mr. STORY. Oh, yes; absolutely.

Mr. HARDY. What was it that prevented the merchants from patronizing you if you were giving them a guarantee of permanency of service and giving them a present price equal to the deferred rebate price?

Mr. STORY. Well, simply for this reason—naturally, you must put yourself in the shipper's place, and if that combination came to you and said, "Well, now, here now, if you patronize this independent American line not only are you going to lose the rebates with us, but, here, you are a merchant and a shipper, you are not only shipping to South America, but you are shipping to Europe."

Mr. HARDY. That is the point.

Mr. STORY (continuing). "And we will refuse to take your cargo for Europe."

Mr. HARDY. So it was the other power in addition to that?

Mr. STORY. And there the shipper naturally——

The CHAIRMAN. What other method would you suggest to avoid this rebate system and at the same time secure the service?

Mr. STORY. Well, of course, I am not sufficiently versed in legal lore, legal matters, to say——

The CHAIRMAN. No; but as an economic business proposition.

Mr. STORY. But I should imagine, Judge, what is needed is legislation of such form and character that is going to prevent these combinations or these rebates—legislation that is going to put the ports of our country under Government supervision, just as our railroads are, a legislation that is going to prohibit not only American flag lines, but foreign flag lines operating in our ports, in our American ports, from engaging in combinations in restraint of trade, or that will bolster up illegitimate competition or foster monopoly. It seems to me that those are the lines on which we have got to operate.

The CHAIRMAN. In other words, their rates, for instance, should be public, and should be filed with the Interstate Commerce Commission? Is that your notion?

Mr. STORY. That is my idea.

The CHAIRMAN. With some other improvements?

Mr. STORY. That is my idea.

The CHAIRMAN. And if they have any agreements they should first be submitted to and approved of by the Interstate Commerce Commission, or some other tribunal?

Mr. STORY. Absolutely; that is my idea.

The CHAIRMAN. If they enter into any agreement or make other rates than the published rates they should be punished for it?

Mr. STORY. They should be punished for it.

The CHAIRMAN. Under our interstate-commerce law?

Mr. STORY. Yes.

The CHAIRMAN. They should be absolutely prohibited from granting rebates to one shipper as against another?

Mr. STORY. That is right.

The CHAIRMAN. Under any conditions?

Mr. STORY. That is right.

The CHAIRMAN. As the railroads are to-day?

Mr. STORY. Yes.

The CHAIRMAN. In other words, you bring that traffic substantially under the terms of the law now applicable to our interstate-commerce carriers?

Mr. STORY. Yes, sir; it seems to me that is the way I view the question.

The CHAIRMAN. Are there any other questions?

Mr. THAYER. I should like to ask if there is any common-carrier obligation on the steamship line such as we have here, such as our railroads have, to take freight?

Mr. STORY. Any common-carrier what?

Mr. THAYER. Legal obligations to take freight when it is offered them.

Mr. STORY. I believe there is.

Mr. THAYER. So that if they could get together and had the sand to fight they could compel the steamship companies to take their freight?

Mr. STORY. From North America?

Mr. THAYER. Take it anywhere—in Brazil.

Mr. STORY. In Brazil, of course, I do not know——

Mr. THAYER. Do you know if there is any common-carrier obligation?

Mr. STORY. No; I do not know as regards Brazil. I do not think Brazil has anything of the sort. I thought you referred to our country. Of course there is no trouble about cargoes from the United States, but in Brazil I do not know.

Mr. THAYER. I presume there would be some such arrangement.

Mr. STORY. In Brazil I do not know that there is. I think there is not.

Mr. THAYER. That would be a good thing to find out. Perhaps somebody in the trade would know.

The CHAIRMAN. What is your opinion about a law of that kind compelling the line, whether domestic or foreign, delivering freight in an American port or receiving a cargo here for a foreign port, and discriminating against shippers in the matter of cargo space, as well as rates, to treat all shippers alike without discrimination?

Mr. STORY. I think that is perfectly right.

The CHAIRMAN. Then take the railroad end of it. How about the railroads being compelled—for instance, if you wanted to make a consignment to a South American port by way of New Orleans you would have a right to designate the line over which that commodity might be shipped from New Orleans to that port. Do you think that ought to be a feature of the law also?

Mr. STORY. Unquestionably.

The CHAIRMAN. And from Brazil, if you wanted to ship a cargo from Brazil by way of New Orleans to St. Louis, that the Brazilian himself should have the right to designate the line?

Mr. STORY. That is correct.

The CHAIRMAN. And that no ship, whether domestic or foreign, entering our ports, should be permitted to do so if they violated that provision of our law?

Mr. STORY. Absolutely—sure.

Mr. HARDY. The big thing would be to prevent them from using future booking space to exclude the men they did not want to carry for, would it not? That is, they could book up and give preference, and your idea is that they should not be allowed to give any preference to one shipper over another in that respect?

Mr. STORY. That is correct.

The CHAIRMAN. We will take a recess now until 2 o'clock.

Thereupon, at 1 o'clock p. m., the committee took a recess until 2 o'clock p. m.

AFTERNOON SESSION.

The hearing was resumed at the conclusion of the recess.

The CHAIRMAN. Gentlemen, have you any other questions you wish to ask Mr. Story? Or have you any statement you wish to make, Mr. Story?

Mr. STORY. Mr. Chairman, I would like to make a statement in correction of some of the statements that were made in the morning session. When our ships were at Rio, in Brazil, at that time I was at Hot Springs. I was not in Brazil, and I was under the impression that no lower rate of freight had been made; but now, after rehearsing my memory and talking with Mr. Lowry who was one of the representatives of the Pan American Mail in Brazil at the time the ships were there in the harbor, I understand that a lower rate of freight had been made by the Pan American Mail for the purpose of securing cargo. Upon leaving the room here it occurred to me that I had made an error, because I remembered some conversation I had with Mr. Suter who was fresh from the field, and I sent him a wire to find out what the statement was he had made to me in reference to that. I have not received an answer as yet, but I find Mr. Lowry has just arrived, and he was in Brazil, in Rio, at that time, soliciting freights, and seeking to contract for freights for our line, and he told me that he did make a lower rate in an attempt to get cargo.

The CHAIRMAN. That is, when your ships were at Rio?

Mr. STORY. Yes, sir.

Mr. HARDY. There is just one other question I would like to ask you, Mr. Story. I presume that in your interest you have probably consulted attorneys and gotten possibly some legal idea as to any legitimate remedy for the situation. Have you any suggestion of some definite remedy, or has that suggestion been thought of by any attorneys that you communicated with?

Mr. STORY. Everybody that I have had any discussion with—business men as well as attorneys—seems to be of the opinion that the only cure for the conditions now prevailing is legislation of some character that will absolutely prevent rebating, prohibit combinations, that will penalize the shipping that engages in illegitimate combinations in restraint of trade or fosters monopoly in some form, along lines such as were discussed here this morning.

Mr. HARDY. In other words, to make it penal for a combination to penalize an individual?

Mr. STORY. Absolutely; and compel that shipping, whether foreign or domestic, to accept cargo from the shippers when offered.

Mr. HARDY. On equal terms?

Mr. STORY. On equal terms, because, as I understand from conversations had with people in Brazil, they fear that if they patronize an independent, the conference line or combination will penalize them to the extent of not only refusing to pay the rebates under the contract, but refusing to take their cargoes.

Mr. HARDY. Among legal men with whom you have talked is there any doubt about the question of the United States having the right to make such laws applicable to foreign ships as well as domestic companies?

Mr. STORY. I have had occasion to hear the question discussed by a very able attorney in our city, Mr. Edgar Farrar, who was at one time president of the American Bar Association and is the attorney of our company, and it was his contention that the United States had a right to supervise and to regulate all commerce, whether foreign or domestic.

Mr. HARDY. Was that under any employment to investigate and give an opinion on that subject, or was it——

Mr. STORY. Ex parte.

Mr. HARDY. Personal opinion?

Mr. STORY. Just a personal opinion.

Mr. HARDY. Not as a legal opinion, of course?

Mr. STORY. No.

Mr. HARDY. That is all.

The CHAIRMAN. This committee has expressed itself on that by reporting out a bill in which we proposed to penalize all foreign ships entering American ports which were at the time in a combine, agreement, or pool. It has gone to the Senate now, and we are interested to know whether the Senate will pass it or not.

That is all, Mr. Story.

TESTIMONY OF JOSEPH J. SLECHTA.

The witness was duly sworn by the chairman.

The CHAIRMAN. Will you give your name and address and the business in which you are engaged to the stenographer?

Mr. SLECHTA. Joseph J. Slechta, 17 State Street, New York, representing the Brazilian Steamship Co., as their New York agent.

The CHAIRMAN. You are the agent of the Lloyd Brasileiro?

Mr. SLECHTA. The technical, legal name of the company is Lloyd Brasileiro, but for the sake of putting it into English we call it the Brazilian Steamship Co., because that is what it really means.

The CHAIRMAN. Do you care to make a preliminary statement before we ask you specific questions?

Mr. SLECHTA. No, sir; I think not.

The CHAIRMAN. You and Dr. Huebner have had correspondence from time to time with reference to this matter, and I think it would save time if I request him to ask you questions directly.

Mr. SLECHTA. I shall be very glad.

Dr. HUEBNER. Mr. Slechta, the Government in its suit against the Prince Line and others, refers in its petition to the traffic agreement of February 14, 1908, which provided for the total fixing of sailings among the lines, a deferred rebate system, and a tariff of rates to be adhered to by the lines still in existence. Are you familiar with that agreement?

Mr. SLECHTA. I sent a copy of that agreement to the Department of Justice soon after my arrival in New York to take charge of the company's business here.

Dr. HUEBNER. Do you know if that agreement is still in existence?

Mr. SLECHTA. I have not any knowledge of that except on hearsay.

Dr. HUEBNER. Have you any facts that have come under your observation which would lead you to believe that that agreement is still in existence?

Mr. SLECHTA. The best evidence I have along that line is from correspondence, written and by cable, which I have had from my company. In compliance with the request of your committee, I endeavored to obtain that information, and in fact a specific copy of any agreement which might be made in renewal of the previous agreement, as I think I indicated in my letter. Up to the present time I have been unable to obtain anything of the sort, although my company in Rio de Janeiro have reported to me in writing that their agent was endeavoring to obtain a copy of the agreement, or circular letter, as it might be called, which was issued by the companies to the shippers following the raise in the rates on coffee. In other words, the agreement—if I might assume something from what they told me—the agreement was simply to put it back into force after the raise of freight rates.

Dr. HUEBNER. At what date was this?

Mr. SLECHTA. I am unable to say as to the exact date when the rates were raised, but I believe it was about four months ago; about the 1st of September, if I am not mistaken. I was not advised of the exact date.

Dr. HUEBNER. Now, in its suit against the Prince Line and others, the Government refers to a pooling agreement which was made in 1909, and which it seems was discontinued at about the end of one year. Do you know whether the lines have any sort of arrangement which has taken the place of that pooling agreement?

Mr. SLECHTA. Well, now, just precisely what do you mean by pooling arrangement? With reference to the freight from Brazil?

Dr. HUEBNER. With reference to the total amount of traffic which is assigned to each line.

Mr. SLECHTA. Inward freight from Brazil?

Dr. HUEBNER. Inward freight from Brazil.

Mr. SLECHTA. About that I have absolutely no knowledge.

Dr. HUEBNER. Also as regards the outward freight?

Mr. SLECHTA. As to neither have I any knowledge whatever, although I may say that so far as the outward business is concerned I think it is understood, and is a matter of common knowledge in the press and elsewhere, that the freight bookings for the conference lines in New York was made at different times by the secretary of their conference.

The CHAIRMAN. Who is that?

Mr. SLECHTA. I could not tell you his name. He has an office at 17 State Street.

Dr. HUEBNER. Do you know anything about the matters that are dealt with in this conference?

Mr. SLECHTA. No, sir; I have absolutely no knowledge whatever, except as we hear our customers tell about that, but no definite knowledge whatever.

Dr. HUEBNER. You do not know whether the New York lines—I mean the lines operating from New York to Brazil—are at the present time in a European conference arrangement?

Mr. SLECHTA. I could not state with any authority as to whether they are or not. If you would like me to give you my idea of the situation with reference to the shipping business of the world as it affects this particular case I would be very glad to do so.

The CHAIRMAN. That is just what we want you to do. Tell us what you know of that of which you have information, or belief founded upon investigation.

Mr. SLECHTA. I shall have to ask you to accept a good deal of what I say as somewhat in the light of being academic perhaps, because I want you to remember I have only been in the steamship business a year. Previously to that I was for five years a representative, as a subordinate, of the Consular Service of the United States in Rio de Janeiro. Of course my duties along that line required some investigation from time to time of these matters.

In the first place, I think it would be advisable for the committee to consider the general situation in the shipping business of the world as it affects this particular case. We have in a way a triangular arrangement of ocean transportation. The most important, of course, is the upper line of the triangle, New York to Europe. It is important in that connection to take note of the general trend of the traffic there.

The CHAIRMAN. What are the points of the triangle?

Mr. SLECHTA. The other point is South America.

The CHAIRMAN. Between here——

Mr. SLECHTA. Between here—between South America, Europe, New York, or Philadelphia—say the United States to make it general. The most important of the general trade, and the best paying in the trans-Atlantic business is from the United States to Europe, as all ship men know. The other business—that is, from Europe to the United States—is either of a high-paying nature or it is of a very cheap nature; in other words, chalk, and things of that sort, which pay a very low rate of freight and which steamships can not afford to carry except in conditions of a very serious break in the market.

On the other hand, you have a very heavy traffic, not only in passengers, but in freight, from the European countries to South America—and by South America I mean not only Brazil and the Argentine, but the west coast. In that respect you must take into consideration the reason why the traffic and the provisions for transportation are so much greater to Brazil than they are to the United States.

Along that same line, perhaps, I might ask the committee a hypothetical question. Dr. Huebner, perhaps, would catch my point at once, he being an expert. What is it particularly that makes the trans-Atlantic traffic so profitable as to maintain all these tremendous companies that operate? I think Dr. Huebner will agree with me when I say that the one thing that makes it possible and profitable for all of them to operate is the immigration business. That same state of affairs to a modified extent exists as regards Europe and South America.

In other words, Brazil and the Argentine, especially the latter, are taking large numbers of immigrants from Europe yearly, and the

lines that operate to those countries exist to a certain extent to take care of that immigration traffic. Between the United States and South America there are no such conditions. I suppose—I am merely guessing at that—that certainly not more than 600 immigrants a month come from Brazil to the United States. You can readily understand that that would be very insignificant with relation to the traffic, at least so far as regards passenger traffic.

I say this not because I hold a brief for any of the lines concerned in this, but to bring out some of the basic facts that ought to be taken into consideration in this sort of thing. As a matter of fact, some of the things that the committee may ask me to tell them about will be a brief against some of our friends concerned in the Brazilian shipping.

Mr. HARDY. There is no immigration from the United States to South America, is there?

Mr. SLECHTA. Very insignificant. As a matter of fact there has been some effort made to encourage it, but, as you can readily understand, if the United States has things to offer to a million immigrants a year from Europe, naturally there is not very much demand for an outward flow of immigrants to other countries in the Western Hemisphere from the United States. There is some trend in that direction, to be sure, in this respect. For instance, a large number of Italians—I mean to say relatively not a large number compared with the traffic across the Atlantic; it is insignificant; but considerable numbers of Italians go, for instance, from Italy to the Argentine, where they harvest the wheat. They come to Brazil and possibly take a part in the harvesting of the coffee, and then they come up to the United States and go in the Mississippi Valley, where they help harvest the wheat there. That, however, is an insignificant feature of the immigration traffic.

With that brief review of the situation as regards this particular business I think it would interest the committee also to know that there is a central field, rather a strategic point about which this conference, so called, is unable to operate. That particular point, upon which emphasis should be laid, is the fact that the most important of these three companies, taking advantage of this situation that I have just described, operates not only its line of steamers down from Brazil to the Argentine, but it operates another entirely independent line of steamers from Liverpool to Brazil; in some cases from Antwerp to Brazil, but in any case from a European port with European manufactures for Brazil. At Santos (Rio de Janeiro) those steamers are two a month, and sometimes three and sometimes even four, but never less than two. They bring coffee to the United States, either to New Orleans or New York. Then, from New Orleans they carry cotton, or from Galveston, as the case may be; from New York they take corn or whatever cargo is in season, always remembering that the general trend of ocean transportation lends itself to that arrangement. Because of the reverse route there is no paying cargo for that class of steamer, as any shipowner will tell you, at least relatively so. Then that brings them back to Liverpool. So that we, the Brazilian Steamship Co., is confronted much more seriously than this committee or anybody else with a situation like this: We carry a cargo of which we can get all we want to Brazil from New York. We have those other lines to compete with——

Mr. HARDY. What does your cargo consist of from New York to Brazil?

Mr. SLECHTA. American manufactures of all kinds.

Mr. HARDY. Mainly what kinds?

Mr. SLECHTA. Of course, by virtue of the character of our service, it is principally bulk cargo; some general merchandise, for instance, steel rails, locomotives, flour, lumber, iron and steel manufactures of all kinds, electrical machinery, woodworking machinery.

Mr. HARDY. Do you carry any great amount of clothing?

Mr. SLECHTA. No, sir; I think I could buy myself all that we ship, and that would not be much.

Mr. HARDY. Neither cotton nor wool?

Mr. SLECHTA. Neither cotton nor wool.

Mr. HARDY. Chiefly heavy machinery and bulk stuff?

Mr. SLECHTA. Yes. Of course, we carry also what we call general merchandise—all kinds of things.

Mr. HARDY. What I want to get at is to see what kind of exports go to South America from New York. As I understand, machinery, rails, steel and iron manufactures; but when you say general merchandise—

Mr. SLECHTA. By general merchandise, I mean the manufactures of a higher grade; as, for instance, soaps, canned goods, some paper, but very little, automobiles—things of a high class; things that are not bulk cargo; the same things that you use in your house every day.

Mr. HARDY. Except clothing?

Mr. SLECHTA. Except clothing.

Mr. HARDY. Do you carry many shoes?

Mr. SLECHTA. Yes; however, that is a point I wanted to speak of in recalling some of the testimony I heard this morning. The United States sells practically all the shoes that are sold from abroad in Brazil. We carry some of them. Most of them, however, go down on the faster boats of our competitors, because it is a service that demands promptness, and we do not pretend to have fast steamers. Most of the shoes, however, that are used in Brazil are manufactured there, and manufactured by American machinery, some of which we have shipped down there.

Dr. HUEBNER. Mr. Slechta, I would like to ask as regards the rates you charge for exports from New York to Brazil. How do your rates compare with the rates charged by the conference lines? My understanding is the conference lines all charge the same rates?

Mr. SLECHTA. They do, I believe, so far as I know. That is my understanding of it. I have no way of knowing further than just the general understanding that is common to everybody. Our rates are all that we can get, to be frank. We have to do it. As a matter of fact, I came up here to give it a last chance. This company has been operating on the New York service for six years now on a losing basis absolutely. Now, I presume—I am just guessing at it, because I have no means of knowing except from general conclusions—but I suppose they have lost fully \$2,000,000 in the six years they have operated.

Dr. HUEBNER. How do their rates compare?

Mr. SLECHTA. We follow the other rates, just a little below. We cut under their rates sufficiently to get the cargo away from them. That is just the idea, and we fill as many ships as we can.

Dr. HUEBNER. Now, I have been given to understand that while you have ample freight from New York to Brazil, you have only a

limited amount of freight from Brazilian ports to New York, and that you could greatly increase the quality of your service, and I believe you have stated on one occasion that you feel you could reduce rates if you were given freight from South America to New York in reasonable quantities?

Mr. SLECHTA. Yes, sir.

Dr. HUEBNER. Now, will you relate some of your experiences as to why you have had difficulties in obtaining freight from Brazil on the return voyage?

Mr. SLECHTA. Some of the testimony that was given this morning is substantially in line with what I have to say. However, I think there is nothing more conclusive of that situation than the verbatim testimony—or at least a part of it is verbatim—that was given before the Department of Justice investigators in New York the other day by a representative of Hard, Rand & Co., a very important shipper in the coffee business. If the committee desires, I can either read that or place it in evidence. The purport of it is that Mr. McCreary, who was asked to appear before the special assistants to the Attorney General, in fact placed ledgers in evidence establishing the fact that his company had received \$100,000 in deferred rebates from Lamport & Holt. By the way, they have preferred Lamport & Holt, although they have made shipments by the other lines as well.

In that connection I think it is important for the committee to know that these are deferred rebates that were given and, this testimony would indicate, are being given by all the conference lines. By deferred rebates, I mean rebates which were given for a prescribed period of time and only contingent upon the shippers giving all of their business to the parties to that steamship agreement.

I think that appears more or less clearly from the copy of the agreement which you have on file in the record.

Now, Mr. McCreary, of Hard, Rand & Co., went further and placed in evidence a copy of a letter which their own firm had written to Lamport & Holt in 1908. The letter is dated June 30, 1908, and as a matter of interest to the committee I think I shall read it if you do not mind. It reads as follows:

JUNE 30, 1908.

MESSRS. LAMPORT & HOLT, *Liverpool*.

DEAR SIR: We beg to thank you for Mr. Cook's cables of the 17th instant to us and to the writer at Queenstown, and we now await with interest the rebate conditions which you advise will be announced later. In this connection we beg to quote the following from Messrs. Hard, Rand & Co.'s letter, dated Rio, June 8, received to-day.

I may say, in parentheses, that Hard, Rand & Co. are one of the most important coffee importers in New York. They have their own houses in Rio, and Santos their own representatives, and they operate as Hard, Rand & Co. under the law of Brazil, capitalized, of course, by their office.

Syndicate lines.—The question has come up as to whether the syndicate lines should take cargo at the berth rate from shippers by the Lloyd steamers.

That is to say, some of the shippers were objecting to other shippers taking advantage of the lower rates offered on our ships, and at the same time taking advantage of the special rebates offered by the conference lines.

The CHAIRMAN. In other words, if they expected to get the rebate they must give Lamport & Holt all their tonnage?

Mr. SLECHTA. Exactly.

The letter reads further, as follows:

The Prince Line has declined to take such cargo, but the Lamport & Holt agents are inclined to accept same. A syndicate telegram was accordingly sent, asking for instructions. No answer has yet been received, but the Prince Line agents have a private wire from Knott this morning telling them to follow the lead of Lamport & Holt. This looks as though cargo by outside shippers would be received. If so, it seems to us unjust to supporters of the lines and to call for protest. If Urban, Trinks, etc.—

Who are coffee shippers—

can ship the bulk of their coffee at the cheap Lloyd rate and still take advantage of the syndicate steamers when convenient, especially for New Orleans, it gives them a distinct advantage over us if 10 per cent is the maximum rebate allowed.

We earnestly hope that the rebate will be a scaled one, as in the past, as we very much fear that a flat 10 per cent rebate will not prove a sufficient inducement in the long run to warrant exclusive support, unless in addition to the rebate allowed shippers we were to receive a commission on shipments to the United States and Europe as suggested by the writer, Mr. Cook. You will certainly appreciate the force of our Rio firm's objections to Arbuckle, for instance, being able to ship New Orleans by the Syndicate Line steamers at berth rate when it suits their convenience, while at the same time they ship the bulk of their coffee under their contract with the Lloyd Brasileiro at 20 cents and 5 per cent—

Per bag, that means—

We hope that Mr. Cook's expectation as to the Lloyd Brasileiro lasting only a short time will prove correct in the near future—

Which it has not done.

thus permitting your maintaining a living rate of freight. With the Lloyd Brasileiro out we would much prefer a 35-cent or even 40-cent rate of freight with scaled rebates to 27½ per cent to a 25-cent rate, with a flat rebate of 10 per cent.

Yours, very truly,

(Signed) **HARD & RAND.**

Following are some cablegrams which also throw a little further light on the situation—cablegrams exchanged between them following that letter.

I may say that Hard & Rand naturally were not concerned with the rate of freight which they had to pay on their coffee as long as the other fellow had to pay just as high a rate, because the profits to them were just the same, regardless of what they had to pay in freight on their coffee.

The CHAIRMAN. They just taxed that up to the consumer?

Mr. SLECHTA. Certainly.

I may say in that connection, if you will pardon me a moment, that pending the suit that the Department of Justice has brought against the lines, that in this connection I thought it was worth while to canvass the market for some freight in the upward business, and, among others, I went to Messrs. Hard, Rand & Co., and I was impressed with the fact that they were willing, as they had never been before, to treat with us in the matter. It just happened that we had two steamers on the berth, one in Rio and one in Santos, ready to load coffee, and we made them a special offer of our freight rate which we have offered for the last eight months or more, and which has been published right along in the press, and they were willing to consider it, and they said they would cable to Brazil to find out whether they could give us some coffee. Now, please bear in mind that the rate we offered them was our minimum rate.

Mr. HUEBNER. What was that rate?

Mr. SLECHTA. Twenty-six cents a bag, and the gentleman with whom I talked said it was of a great deal of interest to them, but I notice we never got the coffee.

Our steamers sailed without a bag from Brazil to the United States.

Mr. Chairman, you asked a moment ago as to the amount of freight which we have had. I will say that during 1912 we have loaded 22 cargo steamers with merchandise from New York to Brazil, aggregating 8,000,000 cubic feet of cargo, and that by the way, represented practically 100 per cent of the capacity of those ships, and of that space we did not fill more than, I should say conservatively, 6 per cent on the return voyage.

Mr. HUEBNER. And at rates just slightly below the rates of the other lines?

Mr. SLECHTA. That is to say, on the upper business?

Mr. HUEBNER. No, I mean on the outward business.

Mr. SLECHTA. No; that is on the outward from New York, while on the upward, as I say, during most of the year we offered a separate rate, a graded rate of 26 cents, to 32 cents for the lowest, smallest quantities.

Mr. HUEBNER. Compared with a conference rate of---

Mr. SLECHTA. Forty-five and 50 cents, which that later became.

Mr. HUEBNER. In other words, your rate offered on the business from Brazil is very much lower than the rate offered by the conference lines?

Mr. SLECHTA. Yes, sir.

Mr. HUEBNER. And yet despite that big difference you are unable to get freight?

Mr. SLECHTA. Yes, sir.

Mr. HUEBNER. Just why is it that you can not get the freight?

Mr. SLECHTA. Because of the situation which I have described.

Mr. HUEBNER. That is, you attribute it to this deferred rebate agreement?

Mr. SLECHTA. That is the only explanation to be made of it, absolutely.

Mr. HUEBNER. According to your observation, then, those deferred rebate rate agreements are in full force to-day?

Mr. SLECHTA. Yes, sir; that is my understanding of it, and my sincere belief. Otherwise, I do not understand why they should not be able to take advantage of the rate. In that connection I say that we do not pretend to maintain as high a class of steamers as, for instance, that of the Lamport & Holt Co., in their mail service. But, except for that, our steamers are to all intents and purposes practically able to do the same kind of service, as far as carrying coffee is concerned, as any steamers carrying coffee from Brazil to the United States.

Nor do we pretend to be able to carry all the coffee. It is not necessary. The fact that we have steamers there lying for two weeks waiting for cargo is sufficient evidence of the fact that we can do business. There is never a month passes but what we have at least two steamers to sail from the ports of Rio and Santos for New York. So that the plea that the shippers might make, or the excuse, that our service is not regular is perfectly absurd, because our service is quite as regular as that of any other of the real cargo boats carrying coffee.

As I said a moment ago I have no brief against our competitors in this case, but it seems to me a case where the facts will speak for themselves. One of the companies connected with this conference will probably try to establish the fact that their steamers are regular, on a regular schedule, and therefore they offer certain advantages to shippers of coffee.

Now, just let me tell you that that particular line has two sailings a month from Brazilian ports—what they call mail steamers. They stop not to exceed two days in Santos and one day in Rio—an insufficient time, in the first place, to take on any great amount of cargo, and, in the second place, most of them come there pretty well loaded with coffee from the Argentine. Most of the coffee which those lines carry is carried in this triangular line which I spoke about, running from Liverpool to Brazil and from Brazil to the United States and to Liverpool again.

I should like to place in evidence in that connection a series of a few daily market reports of the coffee exchange, which reports the steamers sailing with coffee from Brazil. I will take, for instance, just as an illustration, the first one that comes to my hand, issued on December 21. It shows, for instance, the steamer *Indian Prince*, which is one of the Prince Line boats; and while a very well equipped freight steamer she does not carry the coffee any better than we carry it, and she does not carry it in any very important degree any more quickly. She has 47,000 bags of coffee from Santos, 12,000 bags from Rio, and 2,000 bags from Victoria, or something over 61,000 bags of coffee, practically two-thirds of a cargo for a steamer of her size.

The *Thespis*, which is one of the Lamport & Holt boats, and one of the boats which I spoke of as running on the triangular line, has 56,000 bags from Santos and 22,000 bags from Rio.

The *Canova*, another of the boats of Lamport & Holt, and running on the same triangular line, has 63,000 bags from Santos and 24,000 bags from Rio. She, by the way, was sailing to New Orleans.

Then, the *Highbury*, not even one of their own boats, chartered by Lamport & Holt, and of exactly the same character of vessel as our own, has 36,000 bags of coffee.

Turning to one of the regular mail boats, operated on their regular schedule, we find the *Byron*, for instance, which in that case had rather an exceptionally large cargo, with a total of 18,000 bags of coffee, and the *Verdi*, a much larger steamer than any of the others, please bear in mind, with 11,000 bags of coffee. So you see any contention which may be made along that line, tending to show that the regularity is the thing that gets them their cargo, can hardly be borne out by these facts.

Mr. HARDY. Let me ask you if you could not make an arrangement with a limited number of customers down there by which you could guarantee your ability and purpose, and contract to carry all their coffee, so that they would not have to depend on anyone else?

Mr. SLECHTA. I may say that that arrangement was entered into in a few cases long before I had any connection with the line. I am not very familiar with exactly what happened in those circumstances, but through one consideration or another it was eventually given up. I will say this—

Mr. HARDY. In other words, what I want to know is this: Could not you relieve them of their dependence on this conference line by guaranteeing that you yourself would carry all the coffee to America?

Mr. SLECHTA. That could be done in the case of a few small shippers, but even in the case of the smallest shippers the situation is this, and that is a point I will ask you to please pay especial attention to: The largest shippers and the smallest shippers of any importance in Brazil have not only connections in the United States, but they have connections in Europe. For instance, one of the largest shippers in New York is Leon Israel & Co. They do a more important business in Europe than they do in the United States, and under the terms of that agreement, a copy of which you have on file here, signed not only by the three conference lines running to New York, but by the most important trans-Atlantic lines, if they ship any of their coffee to Europe they lose the deferred rebate on their New York business as well as the European business.

Mr. HARDY. That is the very point Mr. Story made, that they hold over you not only the question of their deferred rebates as to shipments to the United States, but also their power to get shipments to Europe.

Mr. SLECHTA. Yes.

Mr. HARDY. So that your men with whom you might make exclusive contracts, or contracts to bring all their coffee, would then be left out in the cold as to their European connections?

Mr. SLECHTA. Yes.

Mr. HARDY. Do you know that they hold over them the threat of refusing to carry their coffee to Europe?

Mr. SLECHTA. That is the general understanding. I do not want to go on record as saying that I know anything of the sort.

Mr. HARDY. Have you any tangible evidence which you can put before the committee that they do that?

Mr. SLECHTA. I have simply this evidence, that I have gone into the market in New York to solicit freight from some of these firms, and Mr. Leon Israel, of Leon Israel & Co., himself, practically acknowledged that fact to me.

Mr. HARDY. In other words, a man dealing with them has told you that, as his reason for not patronizing you?

Mr. SLECHTA. Yes, sir.

I think perhaps this is a very good place to make another statement with reference to the general situation as to the ocean transportation business. I wish to go on record as saying that in the light of my experience, and what I have learned by studying this situation, I do not find that it is a matter of flag or a matter of nationality. It is a matter of profit. The steamship lines running from Europe to Brazil have a very important and a very great amount of investments which they must protect. The business exists, and if they were to allow their own steamships, which serve a very legitimate and a very useful purpose, in also developing the business from New York to Brazil, to cut under them on freight rates, they would be simply cutting their own throats; they would be increasing, in other words, the American business at the expense of the European business. That, gentlemen, is the fact of the situation.

The CHAIRMAN. It is not a question of patriotism, but of interest?

Mr. SLECHTA. Yes.

Mr. HARDY. I think you are right about that.

Mr. HUEBNER. Mr. Slechta, how many customers do you serve in taking coffee from Brazil to New York?

Mr. SLECHTA. During the years that I have been in charge of the New York office practically the only shipper that we have served is Arbuckle, who ships no coffee by the conference lines, under any circumstances, and who ships only by our line when it serves his own purposes to do so.

Mr. HUEBNER. In other words, that would mean that every single shipper of coffee to the United States with the exception of one is shipping by the three conference lines to-day?

Mr. SLECHTA. Yes, sir; with one exception, that has been the case. The exception is the F. J. Weston Co., a New York coffee importer, which made one shipment a few days ago of 6,000 bags of coffee by our line. And while he has not told me anything about it, nor have I had any other explanation of it except my own conclusions, my own explanation of it is this, that Mr. Weston visited Brazil himself, and was able to buy the coffee on the market and not leave it to his correspondents there, who ordinarily ship the coffee, and who were a party to the agreement, but shipped the coffee in his own name and was therefore able to take advantage of our special rate.

Mr. HUEBNER. What is the other leading article that you bring from Brazil?

Mr. SLECHTA. That is the only article of importance. I might state in that connection that there are some very important products shipped from Bahai, which we ought to be able to carry, but which we can not, for exactly the same reason that we can not carry coffee.

Mr. HUEBNER. In other words, the deferred-rebate agreement operates against you on other articles than coffee?

Mr. SLECHTA. Yes, sir; in that case it is principally cocoa—the English call it cacao—and hides from Bahai, and some small amount of coffee.

Mr. HUEBNER. Who are your competitors in that business—

Mr. SLECHTA. The same people.

Mr. HUEBNER. As regards the Amazon region?

Mr. SLECHTA. We do not go there. We did until a year ago. We had a fleet of very fine passenger steamers which were, withal, too small for the trade and could not pay under any circumstances, and upon my going to New York I advised the company to take them off. Those steamers were run from the mouth of the Amazon and carried a great deal of freight both ways in competition with Booth.

Mr. HUEBNER. In other words, the Booth Line is to-day the only line operating to the Amazon?

Mr. SLECHTA. It is to-day the only line operating to the Amazon.

Mr. HUEBNER. When you did operate there your rates on all leading articles were the same as charged by the Booth Line, were they not?

Mr. SLECHTA. I believe so. I have not exactly informed myself on that point. In general they were. In many cases we cut—we had no hesitancy in cutting if we saw an advantage in doing so.

Mr. HUEBNER. Your retirement from the field was not in any way by agreement?

Mr. SLECHTA. It was not, absolutely no, although Booth & Co. advertised that. We are already putting in some ships to the northern ports to show that there is not any arrangement.

Mr. HUEBNER. Do you know whether there is any arrangement between the Booth Line and the three conference lines to divide the territory and to keep the Amazon territory separate from the rest of Brazil?

Mr. SLECHTA. Well, about that—of course, whatever I say is pretty much conjecture, but my impression is that it is simply a tacit understanding.

The CHAIRMAN. It is equivalent to an agreement, though?

Mr. SLECHTA. It is equivalent to an agreement; yes, sir.

Mr. HUEBNER. You have heard that?

Mr. SLECHTA. Oh, yes; that is generally the understanding. In fact, the Booth Line is very powerful in the business there, not only from New York but from Liverpool. To start a competition of that sort would mean ruination probably not only to them but to some of the other people.

Mr. HUEBNER. Have you heard of any arrangement whereby certain lines agree to confine themselves to the Plata and stay out of the Brazilian trade?

Mr. SLECHTA. Oh, yes; there is no question but what a certain tacit understanding exists along that line, but I can say with reference to the Argentine, although my personal information will not make anything I say along that line particularly important, my belief is that competition with the Argentine is a working factor in the situation. That has been my understanding, and I believe it can be verified by communicating with any of the more important shippers to the Argentine.

Mr. HUEBNER. Has your line ever been invited to enter the conference?

Mr. SLECHTA. Not so far as I know. Along that line, I want to clear up an impression that was made by some of the testimony this morning. You will recall that that circular exempts the Lloyd Brasileiro.

Mr. HUEBNER. Yes.

Mr. SLECHTA. That is done because the Brazilian Government compelled them to do so. They insisted that discrimination should not be made against the Brazilian steamers, and in fact at one time they went so far—on two different occasions Federal legislation was passed severely penalizing any companies that did discriminate against the national steamships, but because of the peculiar situation in which Brazil finds herself it is very difficult for her to insist upon the enforcement of legislation of that sort. You must understand that Brazil is, in a most important degree, at the mercy pretty largely of the ocean transportation business. You have no such situation as exists here, for instance.

If the railroads to New York were to discriminate or to combine in such a way as to operate unfavorably against the merchandise to be exported, in other words, raise the rates on it in combination, the railroads to New Orleans or to Baltimore might set up a competition and ship the same products—certainly to Baltimore or Philadelphia. That situation is impossible in Brazil, because the railroad system is not developed to such an extent as to make it possible. For instance, while Bahia is only some 250 miles from Pernambuco, there is no efficient—I mean by that efficient for practical purposes—railroad system. There is no railroad system which could enter into the

freight situation and carry cargo; so that, for instance, if a steamship should discriminate against Pernambuco, it could be shipped equally well from Bahia, because the products that are shipped into Bahia can not be transported by rail to Pernambuco.

So, as regards most of the trans-Atlantic business, you must bear in mind the fact that Brazil has for 100 years been very largely dependent upon the development of her commerce, entirely upon her foreign commerce, and if she were to discriminate, or to take any really very severe measures against these lines, their boycotting would hurt the country very seriously. And that is the situation with which they are confronted, although I must advise the committee at this point that upon receiving your summons the other day I cabled the situation to my head office, and received the reply that their own Government was taking steps to effectively put the combine out of business. I asked for further details, which I have not received, although I am momentarily expecting an answer about it.

The CHAIRMAN. You say you did get a cable?

Mr. SLECHTA. I did get a cable.

The CHAIRMAN. Have you it with you?

Mr. SLECHTA. I did not bring it because it was not specific enough to be of any importance to you. I can give you an exact translation of it. It simply said that the matter will be taken care of here, which I understood to mean that the Brazilian Government was acting in the matter, and by the way I do not know whether the members of the committee are aware of the fact that my company is owned and operated entirely by the Federal Government of Brazil.

Mr. HARDY. That is exactly what I was going to ask you.

The CHAIRMAN. We understand that.

Mr. HUEBNER. The clause to which you refer in the claim for rebate reads that "Shipments at not below conference rates of freight and conditions to the United States of America by steamers of the National Brazilian Line, under the Brazilian flag, will not invalidate claims for rebate."

Mr. SLECHTA. Yes, sir.

Mr. HUEBNER. Why do you not raise the rates to the same level that the conference lines charge? Would you get any business if you did that?

Mr. SLECHTA. I am glad you brought up that question, because that is exactly what our company did, but inasmuch as we have had no provision for paying rebates and did not care to do so, the effect of it was entirely lost.

Mr. HARDY. The effect of your raising to the conference prices was really charging them more, because you did not pay any rebate?

Mr. SLECHTA. Exactly. It was a case of "Heads I win and tails you lose." We could not cut below that, because our shippers would not be allowed to participate in rebates by the other lines, and if we put them up equivalent, by the very terms of the agreement, unless we wished to give rebates, we could not take advantage of it.

Mr. HUEBNER. When did you make that attempt to raise rates to the same level?

Mr. SLECHTA. As I say, that was before my connection with the company, but I believe it was about 1910, the early part of 1910.

Mr. HUEBNER. In other words, it is your impression with the deferred rebate system in existence no independent line could possibly get a foothold in the coffee business?

Mr. SLECHTA. I do not see how any line could, except ours. Our company has, as I say, the backing of the Federal Government.

Mr. HUEBNER. But you say that despite the Brazilian Government's aid you have been operating at a great loss all the time?

Mr. SLECHTA. I think for 1912, owing to the fact that the rates have been largely raised, we have been able to operate without any appreciable loss. But you can readily understand how profitable the business might be, and at the same time the rates greatly reduced, if we were able to obtain a fair proportion of the cargo on the upward run.

The CHAIRMAN. Let me see if I understand you: This line, the Brazilian Line, only operates between Brazil and the United States?

Mr. SLECHTA. So far as this service is concerned. I should have stated, perhaps, that the Brazilian Steamship Co., the Lloyd Brasileiro—in fact, the New York end of it is seldom heard of in Brazil. They operate a very large service in the coastwise traffic of Brazil. They operate 65 steamships on the coast and rivers of Brazil—no foreign service.

The CHAIRMAN. But they do not have any service between Brazil and European points?

Mr. SLECHTA. No, sir.

The CHAIRMAN. As I understand it, if it is simply a question of traffic between Brazil and the United States, your company, being owned by the Government, could control the shipments of coffee to the United States?

Mr. SLECHTA. May I ask you to please put that question again?

The CHAIRMAN. I say, if it was simply a question—if your merchants had no other matter to consider than the shipment of coffee, your steamship line would absolutely control all shipments to the United States, because you make a rate of 26 cents against 45 cents plus 5 per cent?

Mr. SLECHTA. Yes; there is no question about that.

The CHAIRMAN. But it is because they also have European connections and European freight and passenger business to consider that they are coerced into the patronage of these other lines, notwithstanding they are Brazilians and their Government owns the line?

Mr. SLECHTA. Exactly; that is the situation.

The CHAIRMAN. If your company had a line to Europe as it has a line to the United States, then it might control the situation?

Mr. SLECHTA. Well, even if they were to carry all the coffee from Europe they would be in a situation to just reverse—that is, we would not get any freight from Europe to Brazil.

The CHAIRMAN. For what reason?

Mr. SLECHTA. Because the service is so adequately provided for, and because we are not in a position to put on steamers that could compete.

The CHAIRMAN. And the same combination exists in the trade, of course, from Europe to South America?

Mr. SLECHTA. Yes; very largely. As I said before, that is exactly the point where the question of profits comes in. As the shipping

world knows generally, American or Brazilian steamers can not operate on the basis that the French or German can—the German and English particularly. It is out of the question, and if they were to try to compete in the European service they would shortly find themselves put to it for profit.

The CHAIRMAN. They would find all the European lines combined against them?

Mr. SLECHTA. Even if they were not; even if the freights—we will take for granted, say, that the rates for freight were only reasonable, not too high or too low, the English could make a profit when the Brazilian lines would find it impossible to do so, in the same way that American ships could not compete.

The CHAIRMAN. I believe their profit depends upon their freight carrying from Brazil to Europe. They could not afford to go back empty any more than you could afford to go back empty from here?

Mr. SLECHTA. No. However, that is another case where the whole South American situation must be taken into consideration. Those large passenger steamers—passenger and cargo steamers—that operate from Brazil to Europe do not initiate their voyage in Brazil. They initiate it over in Buenos Aires, or on the west coast, even up as far as Callao, in Peru, halfway up the western coast of South America, and they pick up cargo all the way along.

The CHAIRMAN. And then come up to Rio?

Mr. SLECHTA. Then come up to Rio, and then they go to Europe.

The CHAIRMAN. There is not direct traffic?

Mr. SLECHTA. Oh, yes, there is direct traffic. I mean to say, it is direct after it leaves Rio.

The CHAIRMAN. There is no steamship line which goes to Rio de Janeiro and remains there?

Mr. SLECHTA. No. Some of them will only go to Buenos Aires. That is, the German line—the Hamburg American Line—and the Royal Mail Line only run to Buenos Aires. But that is the most profitable part of their business because they carry the largest number of third-class passengers as immigrants there, and also they carry large quantities of merchandise there.

The CHAIRMAN. What do you know, if anything, from the information that you have, of the fact that the Royal Mail has taken over the Lamport & Holt and Prince Lines?

Mr. SLECHTA. I can not add anything in that respect to what Mr. Story said this morning. I think it is a matter of record that Sir Phillips, who is the moving factor in the ownership of the Royal Mail—that he and his friends have bought over a large share of the stock at least in the Lamport & Holt and some of the large English companies. In fact, it is generally understood, or felt at least, in shipping circles, that it is a movement looking to a very serious fight between German and British shipping interests.

Mr. HARDY. One question, Mr. Slechta. Have you ever thought of it as to why these conference lines do not penalize the New York shippers for patronizing you?

Mr. SLECHTA. Well, that is very interesting. I suppose, perhaps, the committee has not gone back into that. I only know of it from hearsay, but I believe up to seven years ago a similar system of rebating existed on the traffic in merchandise from New York to Brazil. A number of shippers—I think some five or six important owners in

particular—resented this, and went into the market and took advantage of lower freights which were offered by competitors, and they lost their rebates. They brought suit against the lines, and the suit was compromised, their back rebates paid, and rebates have not been paid since, or have not been offered since.

Mr. HARDY. In other words, they do not give the same medicine to the New York man that they do to the Brazilian for that reason, as you understand it?

Mr. SLECHTA. No, sir. I think it is very clearly understood by all that the remedy for that sort of thing exists in New York, while a very doubtful one exists or can exist for the other end of it.

Mr. HARDY. Your company belonging to the Brazilian Government, why might not the Brazilian Government pass laws requiring——

Mr. SLECHTA. That is what I am hoping they are doing. As I say, I have a telegram to that effect——

Mr. HARDY. You think that is the meaning of your telegram, that they will take care of you?

Mr. SLECHTA. Yes, sir.

Mr. HARDY. If that should be done in Brazil, and that has been the ruling of the courts in this country, will not that remedy the situation to some extent?

Mr. SLECHTA. Why, I think it would remedy it altogether.

Mr. HARDY. You think then you could do business right along?

Mr. SLECHTA. Yes, sir.

Mr. HARDY. And that would be the remedy you want?

Mr. SLECHTA. So far as the Brazilian conferences are concerned.

The CHAIRMAN. In other words, they could not afford to withdraw from the Brazilian trade?

Mr. SLECHTA. Absolutely not.

The CHAIRMAN. That is what they have been talking about here, that if we would attempt to enforce our antitrust laws against them they would retire from our trade.

Mr. SLECHTA. Let them do it. If they do, there are plenty of people to take their place.

The CHAIRMAN. They know that and they are not going to withdraw. For that reason, I say, enforce the law against them.

Mr. SLECHTA. Yes, sir.

The CHAIRMAN. Explain to the committee from the information you have with reference to the difference in rates between Brazilian points and our home ports here and Europe. In other words, is there any discrimination against us?

Mr. SLECHTA. I should say that there is not, only in so far as I outlined to you previously, that the success and the profitable prosecution of the business on the part of the companies operating from Europe to Brazil, for their own protection, requires them not to cut rates in the United States from the United States to Brazil or Argentine, as compared with the rates from Europe to Brazil and the Argentine. Now, Mr. Story, my friend, said this morning something about the cement situation. I take that simply as the case in point, and as a matter of fact I have been the humble instrument of enabling Americans to sell cement in Brazil by taking advantage of the fact that the rate in Europe on cement went up sufficiently to enable us to carry cement at a profit, at a slightly higher rate than we could have gotten before.

The CHAIRMAN. I call your attention to this statement made by Mr. Story, that the Brazilian Government gives us the preferential rate on flour, I believe, of 30 per cent and on some 18 or 19 other commodities of 20 per cent, and notwithstanding that we are unable to overcome the situation created by these conference lines.

Mr. SLECHTA. That is the situation, and if my memory serves me correctly, the letter signed by Mr. Lay was written by myself at the time I was in the consulate; at least, I am perfectly sure I gave the facts in the letter, because the incident occurred before Mr. Lay was there, so that I happened to know something about that. As a matter of fact, I learned to interpret that somewhat differently since I have been in New York, although my former interpretation may be correct, but my own belief in the matter is now that that rate was probably not put up for the purpose of protecting the European manufacturer of cement, but the fact of the matter is that the rate of cement from Europe went up at that particular time, so they had to raise it on this side. I may be wrong, but that is a perfectly honest interpretation. As I say, we have shown our good will in the matter of increasing the cement rate, as in everything else—in the case of cement particularly—by placing our steamers alongside the railroad's pier in Jersey City, so as to save the shipper of cement the lighterage on his products to enable him to sell it that much cheaper in Brazil.

The CHAIRMAN. Is it true that the American shipper of those commodities does enjoy that preferential rate?

Mr. SLECHTA. Yes, sir. It is a matter of Government record, of course.

Mr. HARDY. Does that help you to get your cargo going down, or does that help the outward shipments from New York to Brazil?

Mr. SLECHTA. You mean does it encourage it?

Mr. HARDY. Yes.

Mr. SLECHTA. Well, to be sure it enters as a factor into the price which the manufacturer is able to offer to the buyer in Brazil, but so far as trade is concerned it does not directly serve us in any way.

The CHAIRMAN. If the combine raised the rates to help you, it would not help them a bit, would it?

Mr. SLECHTA. No; and at the same time the situation is this: We have to fill our ships with the best-paying cargo that we can get, and if we can get something more by carrying something else than cement we are going to do it.

The CHAIRMAN. The rates have gone up very sharply, have they not?

Mr. SLECHTA. I may say that when I came here we were paying our chartered vessels about 4 shillings 6 pence per ton per month. That is the arrangement for chartered vessels on what is known as the time charter, and at the present time what we are paying is practically double that, or very nearly so. I dispatched a steamer day before yesterday for which we are paying 7 shillings 6 pence.

The CHAIRMAN. That is on account of the increased demand for tonnage?

Mr. SLECHTA. Exactly, and the freight rates have not increased anything like in that proportion, so that you see where we stand.

The CHAIRMAN. Have not ships enough to carry the cargo?

Mr. SLECHTA. No, sir.

The CHAIRMAN. It would be a good chance for tramp ships.

Mr. SLECHTA. Those are tramp steamers that we chartered. Yes, it is a very good chance for that. As a matter of fact, I am not envious at all of the owner, because 8 or 10 years previously they have been barely able to make expenses, and they are now reaping a harvest.

Dr. HUEBNER. Mr. Slechta, do you make any contracts with individual shippers?

Mr. SLECHTA. Yes, sir.

Dr. HUEBNER. Do those contracts involve different treatment for those particular shippers as compared with the smaller shippers?

Mr. SLECHTA. No, sir. So far as our line is concerned, it has never discriminated against large or small shippers. We, however, do change rates. We have not a published schedule, and it many times happens, for instance, we have a steamer very nearly full, and she is practically ready to sail, and we offer lower rates to fill it.

Dr. HUEBNER. But at a given time the rates are the same.

Mr. SLECHTA. At a given time the rates are the same to everybody, absolutely.

Dr. HUEBNER. Do you know whether that same kind of treatment is afforded to all shippers by the conference lines?

Mr. SLECHTA. Well, I really have not anyway of saying. I never have heard nor have had it reported to me by any of our friends, and we have a good many in the export business, that there was any such discrimination.

Dr. HUEBNER. Have you heard of any contracts being made with some of our large corporations?

Mr. SLECHTA. No, sir; I have not heard of any such contracts. I know they do make contracts, but that they are discriminatory in any respect, I have no knowledge whatever.

The CHAIRMAN. Is it a fact that there are many firms in this country who are exporters that are not willing to enter into any of these ironclad agreements with the conference lines by which they shall have their traffic, if they chose to avail themselves of tramps whenever they care to? Are they not discriminated against by the conference lines? In other words, they are often informed that they have no space or it is not convenient for them to carry their commodities, and they are put to great inconvenience and delay in transporting their goods from this country to South America on that account.

Mr. SLECHTA. Well, that is the situation about which I am sure I can put no light whatever. As a matter of fact, the very nature of the steamship business is such that such a thing as that is almost impossible to ascertain. I assure you that with the years of experience I have had I believe that it is entirely possible for me, as the representative of any steamship company, to discriminate in just that way if I wish to do so and nobody would know anything about it or be any wiser, except the members of the company. For instance, if we had booked a cargo, either verbally or in writing, practically sufficient to fill a ship, and a ship, we will say, had begun her loading, I do not understand how it is possible for anyone, for instance, if I should see fit to say to a customer against whom we had a grudge that we had no space, how it would be possible for anybody to prove that we did have space. It is practically impossible.

The CHAIRMAN. Unless somebody would go aboard and verify the facts.

Mr. SLECHTA. They could not do it. It is absolutely impossible.

The CHAIRMAN. At the time of sailing?

Mr. SLECHTA. At the time of sailing, but in the meantime we might get a cargo that would fill it.

The CHAIRMAN. Have you given this situation any thought? Are you able to suggest to the committee any remedy for it? Do you think the situation is one that ought to be remedied, or is it entirely satisfactory?

Mr. SLECHTA. It certainly is not satisfactory to our company, because as I say——

The CHAIRMAN. Take it from the standpoint of your being an American citizen.

Mr. SLECHTA. Yes, sir.

The CHAIRMAN. Take it from the standpoint of an American citizen and our American industries and our export trade, would you regard the situation as satisfactory?

Mr. SLECHTA. Highly unsatisfactory, and wholly on account of this rebate arrangement. I think the committee should place its emphasis entirely upon that point. I do not see that there is anything else or any ground on which complaint can be made or complaint founded against.

The CHAIRMAN. You regard the situation as a serious handicap upon the increase of our export business?

Mr. SLECHTA. I should make a reserved statement along that line. As a matter of fact, our friends, the enemy—our competitors—have largely increased their sailings during the present year. That they have increased them sufficiently to provide for all of the increased demands for space I very much doubt. At the same time they are following a very conservative policy, and in all probability they are increasing their tonnage relatively about as fast as they would in the European service.

The CHAIRMAN. What would you suggest as a remedy?

Mr. SLECHTA. I have not any conception of the legal or constitutional difficulties which might be set before your body in framing legislation to cover this situation.

The CHAIRMAN. Just overlooking that——

Mr. SLECHTA. As I said a moment ago, the situation is one that depends entirely on economics; in other words, the profits of the transportation business. If we are to begin, for instance, to extend our forces or attempt to do so as a nation and coerce foreign steamship companies who may get their contracts outside of the United States, we will bring down the boycotting of the nation whose citizens own those steamship companies against our manufacturers. I feel that very strongly.

The CHAIRMAN. Do they not discriminate against them now?

Mr. SLECHTA. As a nation, no; nor do they discriminate for the purpose of discriminating against manufacturers, as shipowners.

The CHAIRMAN. Is there not a very profitable business between this country and Brazil that could be developed if we had adequate facilities, passenger and freight facilities?

Mr. SLECHTA. It is being developed, Judge Alexander. I have not the official data on the matter, but I have kept a very close track of the

situation, and during 1912 the business of the United States in Brazil exceeded between \$8,000,000 and \$10,000,000, and that is probably as large a proportion in proportion to what we had before as the increase of any other nation and probably larger. Now, that in face of the fact, gentlemen, that the investments of capital in railroads and industries of all kinds in Brazil and in the Argentine are European and not American.

The CHAIRMAN. You would except——

Mr. SLECHTA. That is the important feature of the whole situation as regards the development of commerce in Brazil and in the Argentine, in fact, all of Latin America. In the Argentine you have practically the entire railroad system controlled directly or indirectly by British capital. In Brazil, although American capitalists and promoters have gone in there very largely the capital is still European—British, French, and Belgian—but even in that respect, the illustration is apt in showing what is accomplished by that very thing. The fact that those men, Americans, should have begun those railroads who have taken foreign capital into the railroads in Brazil have had a sufficient influence to greatly add to the advantage and prestige of the American manufacturers in Brazil, and to that fact I attribute the very large increase that I spoke of during the last year. One of the large bookings we have made for freight during the current year is one we are taking care of at the present time, 600 freight cars manufactured by a Pennsylvania concern and sold to the Central Railroad of Brazil, which is a Government concern, and, as I understand it, very largely is the result of the good impression that was made upon the officials of that road by American rolling stock used on these American-controlled railroads that I speak of.

That, gentlemen, is the situation that confronts the Americans in the development of American commerce abroad.

Mr. HARDY. Mr. Slechta, you said just now that if we were to take drastic action in forbidding these combinations from working their will with reference to our affairs, that it might bring on an European boycott of our manufacturers. What I want to ask you, is, does not that same nonpatriotic quality apply to commerce in all its phases that it does to the shipping interests, and does not the merchant buy his goods where he can get them the cheapest, if they are the quality that sells?

Mr. SLECHTA. Yes.

Mr. HARDY. Is there any such a thing as a "boycott" in commerce?

Mr. SLECHTA. It was not in my experience on patriotic grounds. We have a guest here, our good friend the consul general, Mr. Anderson, at the present time at Hongkong, who served as my chief four and one-half years ago——

Mr. HARDY. I was going to say possibly in the Boxer uprising in China.

Mr. SLECHTA. In Brazil, who can bear me out in the fact that it is pretty largely a matter of dollars and cents, and a matter of showing a man what you have got to sell.

Mr. HARDY. Do you not think that notwithstanding any law we might pass here with reference to the shipping combine, that if our merchants down there in Brazil were to show the merchants here that his commodities from this country and trading in them would bring him a profit greater than in trading in the commodities from some

other country, that that merchant would trade in our commodities—is not that a fact that is universal?

Mr. SLECHTA. That is my understanding of it and thorough belief.

Mr. HARDY. When you get down to the bottom of that idea of European factors and nations boycotting our manufacturers, do you really think there would be much in that?

Mr. SLECHTA. Perhaps I used the wrong term. What I meant to say was and the idea I intended to convey was just this: That foreign Governments are going to take it as an unfriendly act on the part of the United States.

Mr. HARDY. And would retaliate?

Mr. SLECHTA. And would retaliate—not necessarily retaliate commercially, but possibly even commercially.

Mr. HARDY. Retaliation is a governmental matter. The governments do that as far as they can by passing counter legislation.

Mr. SLECHTA. Exactly. . However, I simply mentioned that as a possibility. It seems to me that in this case of the rebates, if it can be shown that the agreements providing for these rebates are carried out, not necessarily made, but are in any respect carried out in the United States—in other words, for instance, the rebates are paid in New York, it seems to me American law can be easily made to apply to that; if it does not exist, put it in the statute books.

Mr. HARDY. Suppose it is not paid in New York; suppose it is paid in London?

Mr. SLECHTA. Yes.

Mr. HARDY. But the recipients are in New York, and the commerce is between New York and Brazil?

Mr. SLECHTA. I should say that a thing of that sort is a matter of diplomatic intercourse.

Mr. HARDY. If these rebates grow out of transactions here they are subject to the jurisdictions of the United States.

The CHAIRMAN. If the transaction is conducted in the United States that would be sufficient to bring it within our right to regulate it.

Mr. HARDY. Let me ask you this further question: If you had all the rebating stopped, would that prevent discriminations that would enable the conference lines to say to their patrons down there in Brazil, "If you patronize some other line we will not take your goods to ship for you"?

Mr. SLECHTA. I do not think it would do away with that difficulty.

Mr. HARDY. Would your remedy be partially complete if you had rebates stopped or would these other things be still enough to perpetuate the power of the conference?

Mr. SLECHTA. It would be a help in the right direction. The difficulty is, perhaps, as you gentlemen have reason for knowing better than I, of any investigation, is that it is not continuous.

Mr. HARDY. You mean when you stop up one crack there is another where it will break out?

Mr. SLECHTA. Exactly. It means continual supervision of those things in order to get any effective action. So far as the rebate system is concerned, as I said before, it seems to me that adequate and thorough control of the situation really lies with Brazil. In the same way a rebate on the export of merchandise from this country,

that is, shipments for export, lies here. There is not any question but what existing legislation, to my mind, is sufficient to protect American manufacturers against that. I refer to the Sherman anti-trust law.

The CHAIRMAN. That would break up one combination and another one might break out in its place.

Mr. SLECHTA. Witness the Standard Oil Co.

Mr. HARDY. Is it any more a matter of importance to this country whether the shipments are from it or shipments to it affected by this rebate? It is just about as much important one way as another?

Mr. SLECHTA. I am afraid I did not get your point.

Mr. HARDY. When I asked you about why the conference did not penalize a New York shipper you said because of a decision in a suit that was brought?

Mr. SLECHTA. Yes.

Mr. HARDY. Is it any more important in this country that there should be no discriminations against it in exports than it is that there should be none against it in imports?

Mr. SLECHTA. I do not think that it is, except for the fact that our interests are simply more diversified in that respect.

Mr. HARDY. That is, we have more exports than imports?

Mr. SLECHTA. Yes; and not only that, but it covers such a variety of industries. In the case of coffee, for example—we get all the coffee that we wish to drink anyway, and it costs very little more.

Mr. HARDY. The law would not apply to coffee alone, but would apply to all such combinations.

Mr. SLECHTA. I mean in this particular case.

Mr. HARDY. As to Brazil, yes?

Mr. SLECHTA. Yes.

Mr. HARDY. So, your only suggestion is to stop that rebate business?

Mr. SLECHTA. It seems to me that would solve the situation. There is not any question of the profitableness of the business, at least under the present conditions, and along that line I would like to say that if the committee knows of any American investor who wishes to take an interest in an American steamship line to Brazil and is willing to take an earning of 5 per cent, I believe that I can convince him that it can be done, but I do not believe any investor or set of investors who are capable of raising \$5,000,000 would agree to go into an enterprise where the profit is certainly not to be much larger than 5 per cent a year. Foreign steamship companies are to-day—at least up to within the past year, have been—operating for years upon a net return of not more than 3 per cent, and glad to get it. So far as running an American steamship line from here to Brazil or from here to anywhere else, the situation is that.

The CHAIRMAN. We have the Sherman antitrust law and the department of the Government shows a willingness to enforce it. You say that the Brazilian Government, as you understood that cable to mean, that they were going to legislate along the same lines?

Mr. SLECHTA. Yes, sir.

The CHAIRMAN. And if they should enact a law along the same lines and vigorously enforced it, and our Government should vigor-

ously enforce the Sherman antitrust law, we would then be able to solve the question.

Mr. SLECHTA. It would leave the thing open to competition; that is the way it looks to me.

The CHAIRMAN. That is one view of the way to solve it.

Mr. SLECHTA. Yes, sir.

The CHAIRMAN. What do you think of bringing this ocean traffic under the supervision of the Interstate Commerce Commission, like our railroad traffic? They are common carriers and subject to regulation.

Mr. SLECHTA. Well, ocean transportation companies are common carriers in the sense that a railroad company is?

The CHAIRMAN. Certainly; there is no question about that.

Mr. SLECHTA. Just how? I ask for information. A railroad is a concern that has a concession and a right of way and the right of eminent domain granted it by the Government. Does the steamship line have any right of eminent domain?

The CHAIRMAN. One of these street car companies is a common carrier; a bus line is a common carrier.

Mr. SLECHTA. Has it a right of way?

The CHAIRMAN. A bus line is a common carrier.

Mr. SLECHTA. Surely.

The CHAIRMAN. It does not exercise any right of eminent domain.

Mr. SLECHTA. However, that is a matter of common law pretty largely, is it not?

The CHAIRMAN. Long before they had railroads the carriers were recognized as common carriers and subject to regulation.

Mr. SLECHTA. I am asking for information. I really never have seen any clear statement upon that point.

The CHAIRMAN. Simply because one is a carrier by water and the other is a carrier by land does not change the legal status.

Mr. SLECHTA. What makes the railroad a common carrier in the sense of the law?

The CHAIRMAN. A bus line is a common carrier, for hire.

Mr. HARDY. Offering its services to the public for hire makes it a common carrier.

Mr. SLECHTA. Under the common law?

Mr. HARDY. I think it does.

Mr. SLECHTA. I was simply asking for information. I really have not any very accurate conception.

Mr. HARDY. Otherwise we could not regulate much transportation. Your idea was that it was dependent on the right of eminent domain? If that were so, nothing but railroads would then be common carriers.

Mr. SLECHTA. Not depending upon it, but I mean one feature of the common carriers simply as regards a railroad, is the fact that it has an important franchise and grant giving it very important privileges, which depend upon the use of the land.

Mr. HARDY. That is one equitable basis on which the right to control largely hinges, but it is not the only one by any manner of means.

Mr. SLECHTA. Why is that?

The CHAIRMAN. That is not the element which makes it a common carrier.

Mr. SLECHTA. The fact that it carries goods, that is the common thing that makes it a common carrier.

The CHAIRMAN. That is the one which makes it subject to governmental regulations in many respects—regulation of rates and anything like that. But what we want, without going into a discussion of that question, is, assuming the Government has the right, under interstate commerce provision of the Constitution to regulate these water carriers, do you think they ought to be brought under governmental control?

Mr. SLECHTA. I certainly think that either a coastwise or an oceanic transportation company that has the privileges of the ports, solicits business there, and makes an earning on the basis as a result of the business it does there, ought to come in for a share of regulation.

The CHAIRMAN. No; I think if that were brought, for instance, under the supervision of the Interstate Commerce Commission or some other like tribunal of like jurisdiction, if they make agreements or recognize their rights to make agreements, that those agreements ought to be subject to the supervision of the Government to determine whether or not they were just or unjust or discriminatory; that they should be compelled to file their rates absolutely for giving them to discriminate against shippers in the matter of the receipt and dispatch of freight and passengers and the further provision that they should not discriminate as against carriers. For instance, a shipper would have the right to have his goods billed to any interior point in the United States, to Brazil, over any ocean line that he might use, and so with a rate coming into the United States that same freedom should be granted to foreign shippers, which, I think, would be desirable and tend to keep rates down. I do not mean to destroy competition, but to regulate them and see that every man got a reasonable rate and no discrimination as between them.

Mr. SLECHTA. I should say it would be a very difficult thing to do in the first place. I think it would be highly desirable; but if I were to suggest a remedy along that line—it may sound very academic—but I would suggest an international agreement.

The CHAIRMAN. That is a very hard thing to get at.

Mr. SLECHTA. At the same time, if it is worth while, it would be worth while working for. I do not see how, for instance, if you put it purely on a national basis; if, for instance, the United States were to attempt to control ocean transportation companies doing business between here and Europe in that respect, a great deal of its efforts might be vitiated by the agreements made in Europe.

The CHAIRMAN. Do you think that because an agreement is made in Europe it could still be carried out in this country?

Mr. SLECHTA. Yes; not carry them out here at all until the passengers were landed, after all the agreements were carried out.

The CHAIRMAN. We have a suit pending now. The Department of Justice has brought suit against lines in the North Atlantic trade.

Mr. SLECHTA. That is a case of booking passengers from here to Europe.

The CHAIRMAN. No; it is from Europe to here.

Mr. SLECHTA. Would it apply in that case?

The CHAIRMAN. Yes; to the immigrant trade particularly. Commerce is war, is it not, between nations?

Mr. SLECHTA. It is certainly competition.

The CHAIRMAN. Very well; and each nation is seeking—and I am not saying it in a spirit of criticism—the advantage of other nations to extend its commercial business, hence it is a very difficult matter to come to an international agreement, to frame an international agreement for a basis of trade.

Mr. SLECHTA. It is possible for nations to come to international agreements with reference to war itself, and I do not see why it is not possible to come to agreements in reference to commerce.

The CHAIRMAN. They always violate them, however, in war.

Mr. SLECHTA. If they are high-class nations, they do not.

The CHAIRMAN. Yes, they always violate the laws of neutrality in war.

Mr. SLECHTA. However, that is due to human weakness, I think. Probably the Standard Oil, and some other companies, will eventually violate decrees issued against them, but that does not operate against the findings of our courts.

The CHAIRMAN. We are talking about something that shall be effective, though. Has any member of the committee any questions to ask?

Mr. THAYER. I should like to ask this question I asked this morning at the start. Do you know whether the steamship lines in Brazil are under a legal obligation as common carriers, as they are here, as our railroads are?

Mr. SLECHTA. You mean to ask, is there a remedy in Brazilian law?

Mr. THAYER. No; an agreement that I am obliged to take all freight that is offered, and in the order it is offered.

Mr. SLECHTA. I do not know of any such law. I do not know of any such law in this country. Do you mean as applied to railroads or as to the steamship business?

Mr. THAYER. Oh, yes; there is.

Mr. SLECHTA. In other words a man comes along and offers me a carload of cement to be shipped in my steamer, which I can not possibly carry at a profit, do you mean I must accept it, although I wish to fill my ship with some cement and with some other cargo?

Mr. THAYER. Not to discriminate against any other customer.

Mr. SLECHTA. Having the same kind of cargo?

Mr. THAYER. Yes; of course you would be allowed to make every reasonable regulation.

Mr. SLECHTA. I doubt very much whether there is any such law existing—in fact, I know there is not any such law existing that would make that incumbent upon an ocean transportation company.

The CHAIRMAN. If there is nothing further you may stand aside. We have not excused you yet, but you may stand aside for the present.

TESTIMONY OF MR. JOSEPH PURCELL.

The CHAIRMAN. Kindly give your name, address, and business to the stenographer.

Mr. PURCELL. My name is Joseph Purcell, of the firm of Hart & Rand, 107 Wall Street, New York, importers of coffee.

The CHAIRMAN. A subpoena duces tecum has been served on you, Mr. Purcell, to produce certain papers and documents.

Mr. PURCELL. The subpoena says "papers between New York and Brazil." All of our business is between Brazil and New York. We do not do any business between New York and Brazil.

The CHAIRMAN. The subpoena says:

Any contract, agreements, or arrangements, originals or copies, and in the form of correspondence which he has made with any steamship company or companies operating between New York and Brazil or other South American ports.

Mr. PURCELL. I thought you meant the other way. That is the way we do business—between Brazil and New York, but nothing between New York and Brazil.

The CHAIRMAN. This subpoena commanded you to furnish the committee with any such contracts, or agreements, or arrangements between yourselves and any company or companies operating between New York and Brazil.

Mr. PURCELL. All the contracts and agreements and the papers and books pertaining to that business have been delivered already to the Government, for which I hold a receipt in New York.

The CHAIRMAN. You may tell the committee whether or not your firm is a party to any deferred rebate agreement with any of these companies operating between Brazilian ports and the United States.

Mr. PURCELL. They are.

The CHAIRMAN. State what those agreements are.

Mr. PURCELL. I have not a copy of the contract, so I could give it to you verbally.

The CHAIRMAN. I understand the originals are in the possession of the Government.

Mr. PURCELL. The salient point of it is that we are to ship by the syndicated lines.

The CHAIRMAN. Tell the stenographer what lines those are.

Mr. PURCELL. Lamport & Holt, Prince Line, and the Hamburg South American.

The CHAIRMAN. Proceed, Mr. Purcell. You are to state the substance of those agreements.

Mr. PURCELL. The substance is we agreed on a maximum rebate of 10 per cent.

The CHAIRMAN. On what?

Mr. PURCELL. On the freight.

The CHAIRMAN. What kind of freight?

Mr. PURCELL. Coffee, the only thing we ship.

The CHAIRMAN. When are those rebates payable?

Mr. PURCELL. If I had the contracts I could tell you, but I can not tell you now. I do not know the dates. I can not give them to you even approximately.

The CHAIRMAN. Are they to be paid at each shipment?

Mr. PURCELL. No; they are paid at stated periods during the year. I do not know whether once, twice, or three times a year. All those details our head clerk attends to. Our firm in Brazil signs a contract agreement with the syndicated lines, and a copy of that contract is sent to New York. That contract is turned over to the clerk, and he carries out the provisions of that contract. Now you could not get any one of the partners to give you anything but the salient points of that contract.

The CHAIRMAN. How is that?

Mr. PURCELL. You could not get any one of the parties to give you anything but the salient points of that contract offhand. If we need it, we send for a copy of it.

The CHAIRMAN. Do you say you never saw the contract yourself?

Mr. PURCELL. Yes, sir; I have.

The CHAIRMAN. Have you read the contract?

Mr. PURCELL. Yes, sir.

The CHAIRMAN. Then, can you not recall anything so important as that?

Mr. PURCELL. I have given you the important points, namely, that we get 10 per cent rebate. That is the only part that concerns us in the business, the net rate of freight.

The CHAIRMAN. That agreement is still in force between you and the conference lines, is it not?

Mr. PURCELL. It is.

The CHAIRMAN. And pursuant to the terms of that agreement or understanding or contract, you do from time to time receive these rebates, do you not?

Mr. PURCELL. Yes.

The CHAIRMAN. Upon what condition do you get this rebate of 10 per cent?

Mr. PURCELL. Well, we have to be supporters of the line.

The CHAIRMAN. Explain that more specifically.

Mr. PURCELL. We have to ship everything by the syndicated line, except when we charter 10 cents per bag below their rate of freight; then we are privileged to charter without jeopardizing our rebates.

The CHAIRMAN. What rates do you get from the syndicated lines on coffee?

Mr. PURCELL. The rate now is 50 cents per bag, and 5 per cent primus; that is what we pay when the coffee arrives; we pay that freight, 50 cents and 5 per cent.

The CHAIRMAN. Now, if you get it for 45 cents, if you could charter, say, a tramp ship——

Mr. PURCELL (interposing). No; at 50 cents we would have to be able to charter at 40 cents. We have got to be able to charter at 10 cents below their rate.

Mr. HARDY. Ten cents or 10 per cent?

Mr. PURCELL. Ten cents per bag.

The CHAIRMAN. And 5 per cent primus?

Mr. PURCELL. Generally all freights have primus. There are very few of them net.

Mr. HARDY. It is 10 cents per bag or 10 per cent?

Mr. PURCELL. Ten cents.

Mr. HARDY. Then you can not charter a little cheaper than your freight rates give them on rebates?

Mr. PURCELL. In other words, the syndicated lines can not keep their rates more than 10 cents above what we can charter at. When they advanced their rates higher in October we entered the market to try to charter a vessel and found we could not, so we had to pay their 50 cents.

The CHAIRMAN. Here is the Lloyd Brasileiro that has a standing rate of 26 cents; that is 14 cents below. Why do you not ship coffee by the Lloyd Brasileiro?

Mr. PURCELL. Because the syndicated lines—the rate of freight is not the only factor in our business. We have got to have regularity of shipments and efficient service, which we could not get by the Lloyd Brasileiro.

The CHAIRMAN. They say that they have two or more cargo steamers leaving Brazilian points each month.

Mr. PURCELL. That would not be enough. Now, I do not think they have two or more. I think they have irregular dates of sailing.

The CHAIRMAN. And you must have regularity, as I understand?

Mr. PURCELL. Yes; we sell coffee to the people in the interior—shipments the first half or the second half of the month—and we sometimes sell them two, three, or four months ahead. Now, when we make that contract with our interior purchaser we know we are going to get the tonnage for it, and the syndicated lines are going to furnish a steamer to carry that coffee.

The CHAIRMAN. And you are willing to pay the increased rates?

Mr. PURCELL. We are willing to pay them for that. We are an outsider.

The CHAIRMAN. In return for the quality of the service?

Mr. PURCELL. And for regularity of the service. We are compelled to ship coffee from three ports, Santos, Rio, and Victoria, and we get that service for those three ports when we need it. They have the tonnage we want and when we need it.

Mr. THAYER. What is the weight of a bag of coffee?

Mr. PURCELL. Sixty kilos, or 122.30 pounds net.

Mr. THAYER. Take an ordinary shipment; what will it run? You get coffee in what bulk lots?

Mr. PURCELL. Some steamers will only carry 30,000 bags, and others will carry over 100,000 bags.

Mr. THAYER. But I mean to say, when you import, you import 50,000 lots or something like that, do you not?

Mr. PURCELL. We have done as much as that when we were chartering steamers; we have had those that carried 80,000 bags.

The CHAIRMAN. Have you ever tried to contract with Mr. Slechta for the service by his line and stipulated that you should receive cargoes at different periods?

Mr. PURCELL. Recently we asked him for a rate of freight on a round lot of coffee, but the sailing did not suit us.

The CHAIRMAN. How often does he have sailings?

Mr. PURCELL. I think he gave us two; one was on the berth and the other was indefinite—the sailing of the second one.

The CHAIRMAN. How often does he have sailings?

Mr. PURCELL. I do not know; I do not pay any attention to that.

The CHAIRMAN. There is quite a difference in the rate there. Do you not think it would be a good idea to encourage his company?

Mr. PURCELL. No; because we are satisfied with our arrangement with the syndicated lines.

The CHAIRMAN. In other words, so long as your customers will stand the increase, there is no kick on your part, is there?

Mr. PURCELL. The rate of freight does not amount to anything; it is always added to the cost of selling the goods.

The CHAIRMAN. And the consumer has to pay it, has he not?

Mr. PURCELL. No; the consumer does not have to pay it. We have to compete with the competitor whom we are selling coffee

against. We give a net price, cost and freight, to the customer, and in that net cost is the rate of freight figured. We can not add 5 cents per hundred, or any part of it; if our competitor offers rates we have got to meet them or lose the business.

The CHAIRMAN. Of course he pays the same rate of freight you do, does he not?

Mr. PURCELL. Sometimes they do, and sometimes they do not.

The CHAIRMAN. In other words, you have to meet the competition of those whose——

Mr. PURCELL (interposing). We have got to meet the competition of people who underbuy us.

The CHAIRMAN. Tramp steamers?

Mr. PURCELL. No; shipments by the Lloyd Brasileiro.

The CHAIRMAN. It seems that although theirs is a national line they do not get much coffee shipments?

Mr. PURCELL. No; they do not give the service. They have not the service of the syndicated lines.

The CHAIRMAN. Because the syndicated lines have got yourselves and other large importers tied up in such a way they can not get the profit. If you were to break away, it might solve the situation. Make your freight rate less and you would be able to give the American consumer his coffee at a less price, would you not?

Mr. PURCELL. If you look at this thing just as a business man——

The CHAIRMAN. I want you to develop the matter here.

Mr. PURCELL. If you were trading with a firm, an individual firm or a corporation, and you had been doing business with them for years, and their prices and their service was satisfactory, would you treat with another one on the same terms? Would you not give the preference to the man you were doing business with satisfactorily?

The CHAIRMAN. I would, under normal conditions, if a man would offer me the same service; that is, to import a commodity in which I dealt at 26 cents as against 50 cents that another one demands, I think I would cut out the 50-cent man, unless there was some controlling reason.

Mr. PURCELL. So will we. We do that.

The CHAIRMAN. No; you stick to the 50-cent man.

Mr. PURCELL. Because he gives us the service we want. We have got to have the service.

The CHAIRMAN. Is it not true that just as long as the customer will stand it?

Mr. PURCELL. No; you have got a wrong idea about the customer.

The CHAIRMAN. He has to pay, does he not?

Mr. PURCELL. Our customer buys from the man he can buy the cheapest from.

The CHAIRMAN. Very well; you have got to pay the cost of the coffee in Brazil; then you add to that the cost of transportation, do you not?

Mr. PURCELL. The rate of freight; yes.

The CHAIRMAN. That is 50 cents?

Mr. PURCELL. I take the net rate of freight into consideration in the cost of sale.

The CHAIRMAN. Then, you have got to have your profit over that, have you not?

Mr. PURCELL. Yes.

The CHAIRMAN. If this other man could get the service at 26 cents, he pays the same price for his coffee there that you do, does he not?

Mr. PURCELL. Yes, sir.

The CHAIRMAN. He would put you out of business, would he not, Mr. Purcell?

Mr. PURCELL. Perhaps he does.

The CHAIRMAN. That is, he could afford to sell his coffee for much less than you; for as much less, at least, as the difference in the freight rate, could he not?

Mr. PURCELL. He might not be able to deliver the coffee at the time the customer wanted it, though.

The CHAIRMAN. Have you ever made any effort to solve the situation in that way?

Mr. PURCELL. The only effort we make is to get the lowest rate of freight we can possibly get; to buy our coffee at the very lowest price we can buy it at, and whoever gives us that lowest price and gives us efficient service is the person we do business with.

Mr. HARDY. You said just now you were allowed to charter a boat if you could get a rate of 10 cents a bag less, did you not?

Mr. PURCELL. Yes, sir.

Mr. HARDY. When you had that privilege, and this man stands ready to bring your coffee at 24 cents per bag less, the difference between 26 and 50 cents, why did you not charter one of his vessels?

Mr. PURCELL. I do not know that they charter them. I never heard of them chartering their vessels. We enter the market for charters, and I suppose if their vessels were put up we would have competed for one of them.

Mr. HARDY. Do you not suppose they would charter them to you, if they could get them loaded and bring them back here?

Mr. PURCELL. I do not know. We put an order in the hands of a shipping broker, and he brings our charter where he can get vessels.

Mr. HARDY. Is not your interest clearly defined to this, that if you get your freight as cheap as anybody else, you can compete with them?

Mr. PURCELL. That is right.

Mr. HARDY. Does not that further bring up the idea that your purpose is to prevent any cutting under your freight rates to kill out these competing ships?

Mr. PURCELL. We have nothing to do with the killing out. You have got the wrong impression in your mind.

Mr. HARDY. I want to understand why it is you let them write your charter 10 cents a bag below your ordinary freight rates?

Mr. PURCELL. That is to keep the syndicated lines from overcharging us in freight.

Mr. HARDY. When you had that privilege, why could you not charter one of those vessels that are ready to bring it?

Mr. PURCELL. They were not offered us.

Mr. HARDY. You do not wait for an offer when you can get a good bargain, do you?

Mr. PURCELL. I do not think they charter their vessels.

The CHAIRMAN. They do charter a great many vessels, I understand.

Mr. PURCELL. I never heard of it. They charter vessels, but they do not put their vessels in ship brokers' hands for charter as I know of. I never heard of it.

Mr. HARDY. I am not in the business, but does it not seem to you that if you had a ship empty at Rio de Janeiro and wanted to bring it up here and could not get a cargo any other way, you would charter it to a man who had a cargo and wanted to ship?

Mr. PURCELL. I can not answer that. I do not know what the Lloyd Brasileiro would do.

Mr. HARDY. Did you ever try to find out about that?

Mr. PURCELL. No; we do not have to. We go in the regular channels when we want to charter vessels to get that charter either in the United States or in Europe; we try both places.

Mr. HARDY. But you knew those vessels were there empty seeking cargoes back, did you not?

Mr. PURCELL. They were not offered for charter.

Mr. HARDY. But people usually make an effort——

Mr. PURCELL (interposing). When we charter a vessel we charter it for loading at a certain time. All conditions have got to be satisfactory to us, otherwise we do not charter.

Mr. HARDY. You do not always wait for a man to ask you on a trade, do you?

Mr. PURCELL. No; we give an order to a ship broker to look up—we ask him what he has got. He tells us.

Mr. HARDY. Does your contract allow you to get your shipments at more than 10 cents per bag below the contract price by chartering a vessel if you get it at more than 10 cents below the contract price?

Mr. PURCELL. Yes; we can charter at anything below 10 cents.

The CHAIRMAN. Then you forfeit your rebate, do you not?

Mr. PURCELL. Yes; but at 10 cents below—we can charter at 15 cents below. Naturally they would have to come down.

The CHAIRMAN. But 10 cents below is just the actual rate they are charging you, is it not?

Mr. PURCELL. No; 10 cents below would be lower than their regular charter.

Mr. HARDY. At 50 cents?

Mr. PURCELL. At 50 cents, if we can charter at 40 cents we can do it without jeopardizing our rebates.

The CHAIRMAN. But in that event they would not lose anything in fact, because that is all they get finally after having paid the rebate?

Mr. PURCELL. No; they get more than that. Five cents is 10 per cent of 50.

Mr. HARDY. Is that allowance written on the face of your contract, that you are allowed to charter a boat?

Mr. PURCELL. Yes; I think I saw a form of contract here that looked very much like the contract. I think if you read that you will find it says so right in that clause there.

Mr. HARDY. The purpose of that privilege is to enable you to prevent yourselves being imposed upon by too high a rate of freight?

Mr. PURCELL. That is right. That is what we call protection in regard to freight rates.

Mr. STEPHENS. Is that so-called protection to allow you to ship less than a cargo?

Mr. PURCELL. Oh, we can ship 10 bags if we want to, or 10,000, or 100,000. It does not make any difference.

Mr. STEPHENS. Then it would not be necessary to charter a vessel, if you only wanted to ship 10 bags?

Mr. PURCELL. Oh, you mean charter?

Mr. STEPHENS. Yes.

Mr. PURCELL. We would have to charter a vessel, yes; but it depends on the capacity of the vessel.

Mr. STEPHENS. Your agreement does not permit you to ship 100 bags at 10 cents?

Mr. PURCELL. No; we would have to charter a vessel, but I do not suppose we could get any vessel to charter for less than 40,000 bags.

Mr. AYRES. Awhile ago you said you had brought in shipments as high as 50,000 bags. Had you used the Lloyd Brasileiro you would have paid 26 cents, and you are paying 50 cents.

Mr. PURCELL. You asked me a question there. That question relates to something that happened at some remote period. Shipments do not amount to that. Our regular shipments amount—sometimes on the steamer we will move 20,000 bags, sometimes on a steamer we will have none, and sometimes we will only have a thousand; but they come and go with very great regularity, and whenever I want a steamer of the conference lines, we have it.

Mr. AYRES. Take one year with another, how many bags would you bring in in one year as related to another—the total importations?

Mr. PURCELL. Well, this year under our own name where we appear as importers?

Mr. AYRES. Yes.

Mr. PURCELL. I think it amounts to New York and New Orleans to something like 340,000 or 350,000 bags; but, then, as shippers from Brazil we may appear as double that quantity, because as shippers they go under the name of the shipper; they never go to people in the general import business here, and it does not appear in the statistics here as from Brazil.

Mr. AYRES. Here are 350,000 bags. Now, the rate you pay is 50 cents a bag. In other words, you paid a gross rate in that year on that amount of \$175,000, during the year.

Mr. PURCELL. On that we get a rebate.

Mr. AYRES. The rebate on your stock from the conference lines would be 10 per cent. In other words, you have a \$17,500 rebate?

Mr. PURCELL. Yes.

Mr. AYRES. Now, on a shipment of 20,000 bags there would be a difference ordinarily to you of 30 cents a bag. The published price of the Lloyd Brasileiro is 24 cents. In other words, the difference on one shipment of 1,000 bags would be \$4,800 in freight. The reason you won't use the Lloyd Brazilerio when you ship is that you would lose their yearly rebate to gain on that one shipment?

Mr. PURCELL. Yes; and they could not give us the service we have to have.

Mr. AYRES. But to bring up 50,000 bags, for instance, as a syndicate shipper, the difference, excluding the rebate on one shipment, the difference between the rate would be almost \$800 over the yearly rebate?

Mr. PURCELL. Sure.

Mr. AYRES. I now say, or, rather, you said, you had brought in as high as 80,000.

Mr. PURCELL. Yes, when chartering a vessel, then full capacity.

Mr. AYRES. Now, your annual importations of 350,000 bags, the difference in the two prices is something like 24 cents a bag. You

have there about \$65,000 more freight to pay over one line than another. Do you not consider that a pretty high price to pay for regularity?

Mr. PURCELL. You must recollect that rate on the two steamers named here recently—I did not say a yearly rate; he can not give us every steamer for 26 cents. But I do say that on the two steamers that was the rate. He gave us two steamers.

Mr. AYRES. May I ask you right here is that the yearly rate?

Mr. SLECHTA. That rate has been published every day in the Journal of Commerce.

Mr. PURCELL. They advance. The rate of freight is higher for 1,000 than for 25,000. It is a schedule rate—1,000, 5,000, 10,000, and 25,000. A man who ships 1,000 bags has to pay a higher rate than a man who ships 25,000, which amounts to exactly the same thing as rate rebates. We get rebates because we ship large quantities of the coffee.

Mr. HARDY. Yes; but you do not get any such rate as 26 cents.

Mr. PURCELL. Yes, we do. We have had rates down to 25 cents a bag.

Mr. HARDY. Over the conference lines?

Mr. PURCELL. No; 25 cents a bag would be the rate——

Mr. HARDY. Over the conference lines?

Mr. PURCELL. We have paid as low as 15 cents over the conference lines.

Mr. HARDY. Was that when they were trying to run a line out of business?

Mr. PURCELL. They were fighting then.

Mr. HARDY. Was that when they wanted to run this New Orleans line out?

Mr. PURCELL. No, that was some time ago, in a big war. The Lamport & Holt Line was doing that.

Mr. HARDY. And when they are doing the fighting, you get a cheap rate?

Mr. PURCELL. We are right on the job then.

Mr. HARDY. Is it not a fact that you do not want to fight? You have your arrangements well settled, and you want them to carry your freight and no other vessel?

Mr. PURCELL. We always want to get a lower rate.

Mr. HARDY. But you would rather there was not any cutting, now that you have gotten the arrangements made for your rate?

Mr. PURCELL. Yes, sir; we would a great deal rather. If you would ask me personally, I would a great deal rather.

Mr. HARDY. Which lines give the best rates?

Mr. PURCELL. Where our freight is assured.

Mr. HARDY. Then the settlement was a proposition to maintain the regular conference rate, to drive out all competitors?

Mr. PURCELL. We had to do it, because the competitors had it and forced us to get as low a rate of freight. You are talking about one single instance. We are assured as long as we do business with them we will have the tonnage, and we do not have to pay more than 10 cents a bag above what we can charter for. So we have protection there. They can not beat us for more than 10 cents a bag.

Mr. HARDY. That is your policy, to protect your interests and prevent anybody else getting 20 cents a bag shipments?

Mr. PURCELL. No.

Mr. HARDY. You do not want competitors to get a rate of 26 cents, and for you to pay 50?

Mr. PURCELL. No competitors get it, until you send large quantities.

Mr. HARDY. You feel that it is to your interest for your competitor to ship under a rate 24 cents cheaper than you?

Mr. PURCELL. They are not a regular shipper, like we are, and do not do the same amount of business—the firm he had reference to. We get coffee in bulk and throw it into a hopper and roast it, and then ship it out in 250 and 500 bag lots to 100 or 200 different people. It has got to be shipped that way, and shipped with regularity, just when we contract to ship it, either the first half or the last half of the month, as we contract to ship it; and we are always assured of a steamer there to take it.

Mr. HARDY. And always willing to see your competitors get the better rate?

Mr. PURCELL. They do not do the same amount of business.

Mr. HARDY. If a man is doing this business and getting cheaper rates, what is to prevent him from getting the same amount?

Mr. PURCELL. Don't you suppose we have been in business long enough to know which is the best contract for us to make?

Mr. HARDY. I suppose you know which is the best for you. I am not censuring your action on it.

Mr. PURCELL. I have nothing to conceal, and I will tell you frankly anything you wish to know.

Mr. STEPHENS. Mr. Purcell, if you and your competitors paid the same freight, and you knew it, and the freights per bag were to be 24 cents, would you add any more for the coffee? Who would pay the increased price?

Mr. PURCELL. It depends on competition whether the consumer would pay it or not. Somebody may have had some cheap coffee and would not advance that rate of freight, and so they would not pay that increased rate.

Mr. STEPHENS. But suppose in the same business that a competitor paid 26 or 24 cents a bag more for coffee, would not the consumer—the consumer so far as you are concerned, the retailer—pay the increased price?

Mr. PURCELL. We would try to make him pay it, but we do not always do that.

Mr. STEPHENS. Would you make the competitor pay it?

Mr. PURCELL. No; we could not make him. You know, in our business, sometimes the people bite off more than they can chew. They buy more coffee than they have trade for. Settlement day comes around, and they have to sell that coffee, and they sell it below cost. We do not meet that competition.

Mr. STEPHENS. You have to meet that competition if it is serious enough?

Mr. PURCELL. We do not have it.

The CHAIRMAN. Who are your competitors?

Mr. PURCELL. Well, everybody in the coffee business, in the same line as we are.

The CHAIRMAN. And you say these conference lines give them the same terms they give you?

Mr. PURCELL. Those that signed the agreement, yes. I am not sure just who has signed that agreement.

The CHAIRMAN. I am handing you this blank, entitled "Claim for rebate," that was identified by Mr. Story this morning as the conference agreement. Look at it and see if you identify it as the form of agreement between yourself and the conference lines [handing paper to witness]?

Mr. PURCELL (after examining paper). Well, that looks like it. Of course, I could not swear that that was exact, word for word, but it looks very much like it.

Mr. HARDY. Don't you recognize that?

Mr. PURCELL. I recognize the form, but I would not like to say every word was the same.

Mr. HARDY. As near as you remember, that is the form?

Mr. PURCELL. That looks like it. There is one here for Santos, and this one, I suppose, is Rio de Janeiro.

Mr. HARDY. Who prints those? I do not mean the printer, but who sends them out?

Mr. PURCELL. We get ours from a friend in Brazil. When we signed the agreement, they sent our firm a copy. Our firm in Brazil makes out this claim for rebate.

Mr. HARDY. You do not make the claim out in this country?

Mr. PURCELL. No; it is all made in Brazil.

Mr. HARDY. But you make the claim here sometimes, do you not?

Mr. PURCELL. What is that?

Mr. HARDY. Do you make the claim here?

Mr. PURCELL. No; we do not make the claim at all. It is paid over to the London office, or sometimes paid to us in New York and sent to different steamship companies.

The CHAIRMAN. You have similar rebate agreements--you have a house in London, have you?

Mr. PURCELL. Yes.

The CHAIRMAN. And you ship coffee from Brazil to London?

Mr. PURCELL. To Europe.

The CHAIRMAN. You have the same form of rebate agreement between Brazil and Europe as you have between Brazil and the United States?

Mr. PURCELL. Exactly.

The CHAIRMAN. On these conference lines?

Mr. PURCELL. I think that is what we call them now. We used to call them syndicate lines, and then the European lines combined with it.

The CHAIRMAN. What lines are these between Brazil and Europe?

Mr. PURCELL. There are so many of them, I am not familiar with them. We do not watch that. Are not they enumerated in that?

The CHAIRMAN. You have it right before you there. Are those the lines enumerated in this blank claim for rebate?

Mr. PURCELL. Yes; it speaks of them here. "Other than those of the Royal Mail Steam Packet Co., the Hamburg Sudamerikanische," and something else, "the Hamburg American Line and the Norddeutscher Lloyd." Those are European ones.

The CHAIRMAN. Then you do not regard the contract steamer as a factor in the matter of rates, between South American ports and the United States.

Mr. PURCELL. How is that?

The CHAIRMAN. I say, you do not regard the contract steamer as of any value.

Mr. PURCELL. I think, according to our agreement in Rio, that the tramp steamer, when we could get a berth at 10 cents a bag less, we could ship in it from Santos. In Santos we do charter, I think. That is my recollection of the clause now. Have you got it?

The CHAIRMAN. You have it right there.

Mr. PURCELL. No; I only have the claim for rebate. I think I saw a copy of the contract you spoke of, signed in 1909.

The CHAIRMAN. Yes.

Mr. PURCELL. I think that is the first conference agreement. Since then it has been modified and re-signed.

Mr. HARDY. When was the last one signed?
gomery.

Mr. HARDY. Was it last year, some time—1912?

Mr. PURCELL. No; I think 1909. It might have been 1910. I have not those dates fixed in my mind.

Mr. HARDY. Did you have a conference in 1912?

Mr. PURCELL. I do not know anything about a conference, but I know about the agreements we signed. We never had a conference.

Mr. HARDY. That is the agreement you signed?

Mr. PURCELL. That is the agreement we signed.

Mr. HARDY. And you think possibly it was in 1909?

Mr. PURCELL. I think possibly it might have been about that date, but you can get it from that.

Mr. HARDY. At any rate, you are still operating under the last one signed?

Mr. PURCELL. Yes; I think the first one was in 1908, the first one was signed, and I do not think there was more than one signed since then, with these additions or modifications.

Mr. THAYER. I wish you would explain a little more clearly how this regulation acts in regard to the rate of 10 cents a bag less.

Mr. PURCELL. Well, if the freight rate was 40 cents and we could charter at 30, they would have to make the rate.

Mr. THAYER. How do you know you could charter at 30?

Mr. PURCELL. As soon as—we follow the freight market like we do the coffee market. We are always in the freight market.

Mr. THAYER. Is there a shipping list showing the rates for chartered boats?

Mr. PURCELL. No.

Mr. THAYER. You have to go out and find it yourself?

Mr. PURCELL. The London firm finds it.

Mr. THAYER. You have to go out and find out what you can charter for?

Mr. PURCELL. Yes; we have an eye on that all the time.

Mr. THAYER. So it is eternal vigilance on your part to find out whether you can get it for 10 cents lower?

Mr. PURCELL. Always; we are always on the watch for it.

Mr. THAYER. I want to ask you this, about your system of rebates and discounts on your shipment of 350,000 bags. If you could ship at the rate of Mr. Slechta's lines you would save \$59,000 a year. Now, would it not pay you to ship in quantities and have that stored and ready to send out to your customers?

Mr. PURCELL. No. It could not be done that way. If it could be done, we would have done it to save all that money you say there, but we could not do it. Then, besides, you are taking now the rate of 50 cents a bag.

Mr. THAYER. Surely.

Mr. PURCELL. The rate of 40 cents prevails. We only ship from Santos December 1 and from Rio October 1, and we ship the bulk of that coffee at the 40-cent freight rate.

Mr. THAYER. You do not mean to say it would cost anywhere near that amount to store this 350,000 bags?

Mr. PURCELL. We could not meet our contracts with our customers.

Mr. THAYER. If you had that stored in this country?

Mr. PURCELL. No. Our customer wants his coffee coming in at the times he buys it, and if we do not do it our competitors will do it.

Mr. THAYER. What is to prevent you sending it to a storehouse?

Mr. PURCELL. You will have to ask him that.

Mr. THAYER. Yours is the only business in this country of any size where you import in large quantities that you don't keep it in bond in a large warehouse and take it out when you want it.

Mr. PURCELL. Coffee is not kept in bond; there is no duty on coffee. We are in the coffee business and we have to do it exactly as our customer wants it done, and we have got to make arrangements to do it that way.

Mr. THAYER. Do you mean that your customer wants you to send to Brazil for it and does not want the route broken at all? Do you think he would have serious objection if you had that in a warehouse and when he ordered it you sent it out of the warehouse instead of having it sent down from Brazil? Do you mean to say that?

Mr. PURCELL. I could not say that, because I do not quite understand you at all; I do not get the drift of your question.

Mr. THAYER. Your customer wants the coffee when he orders it, and he wants it on a certain date; would it make any difference where that came from, whether it comes from the North Pole or from Brazil, if he gets it?

Mr. PURCELL. I do not know. He does not ask that question; he simply requires that shipment.

Mr. THAYER. What do you mean by "he simply requires that shipment"; requires that coffee?

Mr. PURCELL. The shipper wants it sent the first half of January, or the second half of January, or the first half of February, or the second half of February, and if we don't do it we will have to make an allowance or have it refused.

Mr. THAYER. Do you mean to come, or to be shipped on a certain date?

Mr. PURCELL. No; to be shipped on a certain date. It comes here when it can.

Mr. THAYER. From where?

Mr. PURCELL. From Brazil.

The CHAIRMAN. Would it matter to your customer if you should make regular shipments of coffee from Brazil to the United States in tramp ships, cargo lots, if you had it in stock to ship him regularly?

Mr. PURCELL. If we could not do as he wanted it, he would do it with our competitor.

The CHAIRMAN. Why would he care if you shipped to him from your warehouse, or immediately forwarded it from the ship when it came in?

Mr. PURCELL. I could not tell you why.

The CHAIRMAN. Does he want it from Brazil, direct?

Mr. PURCELL. I can't tell you why it is done; that is a custom of the trade.

The CHAIRMAN. Is it because you do not want to invest so much money in stock on hand?

Mr. PURCELL. I do not know why the customer——

The CHAIRMAN. I am asking you.

Mr. PURCELL. We can not do anything but just what the customer wants. If we get a customer who buys 200 bags of coffee and he says to ship it the last half of January, we have got to ship it.

The CHAIRMAN. I understand that. That is from New York?

Mr. PURCELL. No; that is from Brazil, not from New York.

Mr. FAISON. Do you sell f. o. b. Brazil?

Mr. PURCELL. No; we sell cost and freight Brazil.

Mr. FAISON. That is the way you sell?

Mr. PURCELL. That is the way we sell.

Mr. FAISON. That is the way you sell, universally, and no other?

Mr. PURCELL. We buy in large quantities and bring it in and send it out in 25-bag lots.

Mr. STEPHENS. What percentage of business is done in that way?

Mr. PURCELL. You mean, cost and freight?

Mr. STEPHENS. Yes.

Mr. PURCELL. Well, it varies sometimes. It might vary from 10 to 40 per cent.

Mr. STEPHENS. It might vary from 10 to 40 per cent?

Mr. PURCELL. Yes, it depends on freight conditions entirely.

Mr. STEPHENS. Then on 60 to 90 per cent of the business it would not make any difference to the consumer how you provided for your coffee, would it?

Mr. PURCELL. No. Then we could bring it and put it in storage, just as we do with ours, and our own coffee stays there until we sell it. It is not always sold when it comes here.

Mr. STEPHENS. Ordinarily, the storage of coffee, properly stored, helps the quality of the coffee, does it not?

Mr. PURCELL. It loses some water that is in it, and perhaps mellow it.

Mr. STEPHENS. Which adds to the quality of the coffee very often?

Mr. PURCELL. Not always.

Mr. STEPHENS. But it does very often?

Mr. PURCELL. Yes.

Mr. STEPHENS. More often than not?

Mr. PURCELL. Yes, I would say that.

Mr. THAYER. If your own coffee is sold cost and freight, you do not care? It does not make any difference to you?

Mr. PURCELL. No; we have to get the cheapest price to get the customer. The cost and freight competitor is trying to buy like we are, and he has to ship as cheap as he can.

Mr. THAYER. Then I think you should be interested in getting lower freights.

Mr. HARDY. If you ship it yourself and put it in your own warehouse, you store that, don't you?

Mr. PURCELL. Yes.

Mr. HARDY. If that is not to be ordered at the time by customers, you have to hold it yourself?

Mr. PURCELL. No. We are buying cost and freight, but there is nothing to prevent their doing it.

Mr. HARDY. I understand that over 60 per cent of your shipments are made to you direct, and not to the customer.

Mr. PURCELL. I think that is possibly it.

Mr. HARDY. What is to prevent your shipping that 60 per cent by the cheapest rate?

Mr. PURCELL. Because we bring it along at different times of the year, just as we need it.

Mr. HARDY. Would it not pay you to have that stored, and let it come when you can get the vessels, and save \$50,000 or \$60,000 a year in freights?

Mr. PURCELL. No, it would not. It is a pretty hard thing to tell a Senator or a Member of Congress how we do our business, and he does not understand it.

Mr. HARDY. Still, that is what I am here trying to understand.

Mr. PURCELL. We have peculiarities in every business that are almost unexplainable to a novice in the business, and we do not bring our coffee in in large chunks, that way, but we bring it along just as our peculiar requirements need it.

Mr. HARDY. Keeping as little as possible on hand or in stock?

Mr. PURCELL. I beg you pardon.

Mr. HARDY. I say, with the intention of keeping as little as possible on hand or in stock.

Mr. PURCELL. When the market is in condition, it is done that way—it is arranged that way. The market has a great deal to do with how much coffee we carry.

The CHAIRMAN. When coffee is low you can overstock?

Mr. PURCELL. If conditions warrant, and it is not going lower.

The CHAIRMAN. When it is down to bed-rock.

Mr. PURCELL. Naturally, we carry more coffee then than when we think it is too high.

The CHAIRMAN. For that reason, prudent business principles prevent you, as a rule, from stocking up?

Mr. PURCELL. Yes.

Mr. THAYER. Could you tell how Arbuckle, on the average, beats you on the dock?

Mr. PURCELL. Oh, no; I do not know. They charter a great deal, but they do not do business with the Lloyd Brasileiro.

Mr. THAYER. Don't you think they get coffee a great deal cheaper?

Mr. PURCELL. I do not believe they can charter coffee as low as 20 cents a bag.

Mr. THAYER. Do you know who gets the advantage of that shipment? Does that go in Arbuckle's pocket, or the pocket of the ultimate consumer?

Mr. PURCELL. Arbuckle has to meet competition just the same as we do, whatever the price is.

Mr. THAYER. I think they do business cheaper than you. That money has got to go somewhere, and where does it go?

Mr. PURCELL. Well, if he makes 14 cents a bag, or 20 cents a bag, it goes in his pocket, I suppose, if he makes it; but it does not follow that he always makes it. He may have bought his coffee at the wrong time and the market has gone down, and he has lost his advantage in freight; but his competitor, who pays a higher rate of freight, and also gets a higher price for coffee, will get it cheaper, in fact, than Arbuckle.

The CHAIRMAN. You are entirely satisfied with the freight conditions between Brazil and the United States, are you, as an importer?

Mr. PURCELL. I beg pardon?

The CHAIRMAN. Are you entirely satisfied with the freight conditions between this country and South America?

Mr. PURCELL. Yes. Up to the present time we have had differences with the syndicated lines and they have always righted them for us.

The CHAIRMAN. You have nothing to suggest in the way of improvement?

Mr. PURCELL. Not for us.

The CHAIRMAN. You do not see any need for any legislation?

Mr. PURCELL. No; unless you gentlemen think that rebates are illegal, and that is up to you.

Mr. HARDY. Do you think it is best, Mr. Purcell, that a combination should absolutely dominate this matter?

Mr. PURCELL. No; I am not a believer in monopolies myself; I believe in competition.

The CHAIRMAN. The tendency of this combination is to increase freight rates, is it not?

Mr. PURCELL. No; I think you are wrong there, because we have that clause that prevents them from doing it.

The CHAIRMAN. But you say the conditions do not arise where you can avail yourself of that rate?

Mr. PURCELL. When we can not charter it is because their rate on freight is reasonable; otherwise we could charter.

The CHAIRMAN. Would you to-morrow enter into an agreement with a responsible American ship line to import all your coffee for the next 12 months at 26 cents a bag?

Mr. PURCELL. We would not, unless we had some kind of a bond——

The CHAIRMAN. I say some responsible man, like Bull, of New York?

Mr. PURCELL. We would have to know whether he was responsible. If he could do it cheaper than the syndicated lines, we would try to see if they could give proper security for service. If they could do it at the same rate, we would stick to the syndicated line, because they have served us well.

The CHAIRMAN. That is reasonable.

Mr. HARDY. Having that want of confidence in anybody else being able to do it, don't you feel inclined to prevent anybody else from trying to do it?

Mr. PURCELL. No; we never use 1 ounce of weight to prevent anybody's doing business.

The CHAIRMAN. Has anyone any other questions?

Mr. AYERS. I want to ask one more question. Is not one of the reasons you do not try to give competitive rates to your New York

trade the fact that if you should leave your New York line they would cease to do your foreign shipping?

Mr. PURCELL. Naturally, we would not do anything that would make us lose our rebates.

Mr. AYERS. Is your European business as large or larger than your United States business?

Mr. PURCELL. It is as large at least.

Mr. AYRES. So in case you should make contracts except for the carriers which are permitted by the contract, you would be likely to lose your contracts for shipments for both branches of the trade?

Mr. PURCELL. We would. If we violated our New York end we would lose our European end.

Mr. AYRES. So you would be afraid to tackle that proposition?

Mr. PURCELL. No; we are never afraid; that is not the thing at all. We are not afraid.

Mr. HARDY. Just a little, commercially?

Mr. PURCELL. No, we are not, because we have the open market to go into. We have always that 10 cents in front of us. We fought this line before now, and conquered.

Mr. COLLIER. If you made one contract with an independent line, that would invalidate your rebate, would it?

Mr. PURCELL. Yes.

The CHAIRMAN. You figure that as long as you can contract coffee to your customers in the United States for cost and carriage from Brazilian ports and get your 10 per cent rebate you are getting your profit and you are doing a very safe business?

Mr. PURCELL. Well, we give that profit away. As I told you, the net return of trade is figured on the cost to sell. If it is 50 cents gross, 50 cents gross is the freight that is added; if it is 40 cents net, 40 cents net is the freight that is added. We are compelled to add the net freight to meet the competition.

The CHAIRMAN. But you figure that your profit in the business largely consists of the rebates you get?

Mr. PURCELL. Stop and think what the rebates are. It is 5 cents a bag. That is one-quarter of 1 per cent. Is that a large profit. If we did not make any more profit than that we would have been dead long ago. A bag is worth \$20. Five cents a bag is one-quarter of a cent.

Mr. COLLIER. The thing that moves you more in keeping up your trade with this syndicate is not so much the rebate as the fact that they have been able to handle your business?

Mr. PURCELL. Yes; when we wanted it they have given us efficient service.

Mr. COLLIER. You do not want to run the risk of losing your contract with them in order to make occasional shipments on independent lines? Is that your position in this matter?

Mr. PURCELL. That is right, we are dependent on one another. The syndicated lines depend on us because we are one of the largest shippers.

Mr. HARDY. Do you think it would do any harm to pass a law, if it could be done, prohibiting this deferred-rebate practice?

Mr. PURCELL. Do I think it would do any good?

Mr. HARDY. Any harm or any good, either?

Mr. PURCELL. I do not think it would do a bit of harm. It would not make any difference to us, because we would go on fighting to get the largest net rate, just as we do now. I would rather trade with a net rate of freight than with a rebate.

Mr. HARDY. You would rather such a law were in force?

Mr. PURCELL. Yes; I think it would.

Mr. HARDY. That is all.

The CHAIRMAN. Has anybody else any questions?

Mr. COLLIER. I would like to ask one question along the line of those rebates. You collect for those rebates, you say, in London and in South America?

Mr. PURCELL. Our firm in Rio and in Santos makes out these rebate slips and presents them to the lines in Brazil, and I suppose they forward them to their different agencies in London, and the agencies in London tell them how they are to pay it. I think most of the lines are paid right into the London office. Our London office gets copies of these things, and they get collection on them, and they remit them at once to New York. Or they may use them there and we debit them.

The CHAIRMAN. Mr. Purcell, how many times during the last year have you had coffee for shipment from Brazil when the Lloyd Brasileiro did not have steamers in Brazilian ports ready to perform the service at the reduced rates?

Mr. PURCELL. To be really candid with you, we have never watched their sailings at all. We have not tried to do anything with them, because we are satisfied with the syndicated lines, and we are not prepared to break away from them.

The CHAIRMAN. Then answer this question. What has been the increase in rates during the past four or five years, and, if you know, what is the reason for the increase.

Mr. PURCELL. I think the rate of freight has been about 40 cents for the last four or five years; but in a period much longer ago than that, as I told you, coffee was carried as low as 10 cents a bag.

The CHAIRMAN. That was only in times of sharp competition and for limited periods?

Mr. PURCELL. When they were fighting; when there was a freight war on.

The CHAIRMAN. You say the average rate for the last four or five years has been 40 cents?

Mr. PURCELL. I think 40 cents longer than any other rate, and not that recently. The 50 cent rate only went into effect on December 1, 1911, in Santos, and October 15 in Rio.

The CHAIRMAN. Do you regard those rates as reasonable?

Mr. PURCELL. Yes; for the service given, especially as we can charter for 10 cents a bag less.

Mr. COLLIER. What is the cause of this increase in rate, as far as you know?

Mr. PURCELL. It is scarcity of tonnage, probably. I think it is a case of supply and demand.

Mr. COLLIER. Has it been 40 cents or under for a considerable time?

Mr. PURCELL. Yes; 40 cents for three or four years.

Mr. COLLIER. And this rate went into effect when?

Mr. PURCELL. October 15 in Rio and December 1 in Santos.

Mr. COLLIER. Of last year?

Mr. PURCELL. Of last year; yes.

Mr. STEPHENS. During the last eight months did you have knowledge of a lower rate being offered by this Brazilian line?

Mr. PURCELL. Yes; it is advertised.

Mr. STEPHENS. Did you make any endeavor, you or your firm, to obtain shipping at that rate?

Mr. PURCELL. Yes; when they put the rates up to 50 cents we asked them for a rate, and they gave us this 26 cents. I think they said one steamer was on the berth, and the sailing of the other was indefinite. We could not use that as a charter for cutting down the rate.

Mr. STEPHENS. Did you know, oftener than those two times you have mentioned, that they would make a lower rate?

Mr. PURCELL. We have known it all the time, ever since the Lloyd Brasileiro has been a line. We are posted on just what they are doing.

Mr. STEPHENS. What was your reason for not accepting?

Mr. PURCELL. They could not give us the same service we got from the syndicated lines.

Mr. STEPHENS. Couldn't they ship a cargo of coffee from a Brazilian port to this port as satisfactorily?

Mr. PURCELL. Not at the times we needed it.

Mr. STEPHENS. Have these other companies specified dates for sailing?

Mr. PURCELL. Not always. They have specified dates for some vessels. Then they have other dates to meet the requirements of the trade.

Mr. STEPHENS. That is, a variable date?

Mr. PURCELL. Yes; we tell them when we want coffee for shipment 40 days off, 30 days off, 15 days off.

Mr. STEPHENS. And such a date as that you could not get from the Brazilian line?

Mr. PURCELL. No; they have not got the fleet to do the business. The syndicated lines have a great number of vessels.

Mr. HARDY. I understand you inquired of them and got that 26-cent rate?

Mr. PURCELL. They had two steamers; that is my understanding of it.

Mr. HARDY. Why did you not take that one?

Mr. PURCELL. Because it did not suit us.

Mr. HARDY. What was the trouble?

Mr. PURCELL. We did not have the goods ready.

Mr. HARDY. You were not ready in one case, and they were not ready in the other case?

Mr. PURCELL. Those are the things that have to dovetail. The other things we do not have to dovetail at all.

Mr. HARDY. You mean you have to have a ship there——

Mr. PURCELL. The first half of the month, or the second half of the month means any time within that period.

Mr. HARDY. What was the purpose of inquiring when you said they answered they had the ship on the berth? Was it your purpose to make an arrangement with them then if you could do so?

Mr. PURCELL. Yes.

Mr. HARDY. What were you going to do about your rebates?

Mr. PURCELL. Then we would have it arbitrated with the syndicated lines if we had done it. If they had said we could not do it, we would have brought the matter up for arbitration, and as the Lloyd-Brazileiro in Brazil was a concern and they could do as they liked under contract——

Mr. HARDY. It was a tentative matter, if you could make the arrangements then to take it up with the syndicated line and see whether you could agree on it.

Mr. THAYER. Did you prepare a list of sailings of all of the ships from those different ports of Brazil to America by the different lines and different dates and see what the capability was for shipping?

Mr. PURCELL. You can get that from this circular.

Mr. THAYER. You have that?

Mr. PURCELL. You have that on the coffee circular, which tells you just as they are sailing.

Mr. THAYER. And all the different lines?

Mr. PURCELL. The New York Coffee Exchange with lines to New York—everything that brings coffee to New York—inside, outside, or syndicated.

Mr. THAYER. These are in the evidence?

Mr. PURCELL. I think he (Mr. Slechta) left it here. He read off the different steamers with the quantities abroad, and it gives the sailings from the different ports in that coffee exchange.

Mr. THAYER. I was asking in relation to steamers in Brazil that were ready to sail to this country and take a cargo, whether they brought coffee or whether they came away with coffee or not with coffee.

Mr. PURCELL. I could not get that.

Mr. THAYER. I wanted to know what the opportunity was to send coffee from Brazil.

Mr. PURCELL. I could not get that for you.

Mr. THAYER. Could Mr. Slechta prepare that?

Mr. SLECHTA. Yes; I will be very glad to do that. I shall have to get the data in New York.

Mr. STEPHENS. At the time you made inquiry for the rate of this Brazilian company and was quoted a 26-cent rate——

Mr. PURCELL. For 25,000 bags.

Mr. STEPHENS (continuing). Did the syndicate or did the conference lines give you any further concession than what was embodied in your ordinary agreement?

Mr. PURCELL. No.

Mr. STEPHENS. None whatever in any way?

(No response.)

Mr. HARDY. Just one other question. Do they make you any other rates for any other than 25,000 bags?

Mr. PURCELL. That brings up this matter here, then.

Mr. HARDY. I want to get exactly what they quoted you.

Mr. PURCELL. Perhaps you would like to read that correspondence [handing a package of correspondence to the chairman]. This is the last correspondence we had with them, and it was all on the line of the Lloyd-Brazileiro rate.

Mr. HARDY. You can tell what the substance of it is, so that the committee can get it.

Mr. PURCELL. One copy that the Government has, appears——

The CHAIRMAN. Mr. Purcell, is your firm agents of the Lamport & Holt Line at Victoria, Brazil?

Mr. PURCELL. Yes.

The CHAIRMAN. Are they your agents at any other port in Brazil?

Mr. PURCELL. No.

The CHAIRMAN. Are you agents of any other steamship lines in this conference or this pool in Brazil?

Mr. PURCELL. No; I do not think so.

The CHAIRMAN. Gentlemen, is there anything else? Mr. Purcell, you wanted to go back to New York to-night?

Mr. PURCELL. Sir?

The CHAIRMAN. You want to go back to New York to-night?

Mr. PURCELL. I would like to very much.

The CHAIRMAN. For that reason I would like for these gentlemen to get through.

Mr. PURCELL. I will stay as long as you like this evening if you will let me go home to-night. You might want to ask some questions on that point, that is very recent, you know; that is the last correspondence since I handed over the papers to the Government.

Mr. HARDY. Is there any objection to leaving that correspondence with the committee?

Mr. PURCELL. I brought that here for your use in case you needed it; that is what I brought it for.

Mr. HARDY. I think you might just have that printed—the whole correspondence with relation to that effort you made to get a reduction of rate.

Mr. PURCELL. That is the balance of it from the time you got our paper until now—everything we have done with the conference lines.

Mr. HARDY. I will just add that that be made a part of your testimony, then. Is there anything in reference to that—of course, I have not time to read it over now—that you want to explain?

Mr. PURCELL. That tells about cabling to Mr. Cook that we could charter these vessels of the Lloyd-Brazilero Line, and the rate, and he rather threatened us there, as you will see.

Mr. HARDY. I thought you wanted to make some comment on it.

Mr. PURCELL. It is a matter that is unsettled between the syndicated lines and ourselves. Heretofore they have settled everything.

The CHAIRMAN. You stated that you have turned over to the Department of Justice various correspondence and the agreements that you have with the syndicated lines?

Mr. PURCELL. Yes.

The CHAIRMAN. You have no objection if the Department of Justice shall turn over to us the originals or copies of those?

Mr. PURCELL. You can have whatever they have got. Of course, you will preserve them so we can get them back again.

The CHAIRMAN. I understand. Is there anything else, gentlemen? If not, Mr. Purcell will be excused.

Mr. PURCELL. I can go home to-night?

The CHAIRMAN. Yes, sir.

Thereupon, at 5.02 p. m., the committee stood adjourned until to-morrow, Wednesday, January 8, 1913, at 10 o'clock a. m.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

^{U.S.}
THE COMMITTEE ON THE MERCHANT
MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 8, 1913

No. 2



WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

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RUFUS HARDY, Texas.

WILLIAM B. WILSON, Pennsylvania.

CHARLES D. CARTER, Oklahoma.

HENRY A. BARNHART, Indiana.

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STEVEN B. AYRES, New York.

JOHN A. THAYER, Massachusetts.

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CLAUDE U. STONE, Illinois.

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WILLIAM S. GREENE, Massachusetts.

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WILLIAM D. STEPIENS, California.

THOMAS PARRAN, Maryland.

H. H. GARVER, *Clerk.*

DR. S. S. HUEBNER, *Expert to Committee.*

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Wednesday, January 8, 1913.

The committee met at 10.30 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Thayer, Stone, Ayres, Hardy, Faison, and Humphrey (of Washington).

The CHAIRMAN. Gentlemen, Mr. Joseph Purcell, of the firm of Hard, Rand & Co., when on the witness stand yesterday, in obedience to a subpoena duces tecum issued by the committee, handed me certain exhibits which I intend now to put in the record. The first one is as follows:

EXHIBIT 9.

SANTOS, September 28, 1912.

MESSRS. HARD, RAND & Co. Present.

DEAR SIRS: The undersigned agents of the combined lines hereby beg to advise that on and after the 15th of October, 1912, the rate of freight on coffee to the ports of the United States will be 50 cents and 5 per cent primage per bag.

The following steamers will load for the ports indicated at the present rate of freight of 40 cents and 5 per cent:

NEW YORK.

Titian, to sail about October 4; *Eastern Prince*, to sail about October 5; *Byron*, to sail about October 8; *Vasari*, to sail about October 14; *Santa Ursula*, to sail about October 15; *Scottish Prince*, to sail about October 15; *Tintoretto*, to sail about October 15.

NEW ORLEANS.

Euclid, to sail about October 1; *Saxon Prince*, to sail about October 15; *Raphael*, to sail about October 15.

Hamburg Amerika Linie, Sud Amerika Dienst, Hamburg Sudamerikanische, Dampfschiffahrts Gessellschaft, (signed) Theodor Wille & Co.; Lamport & Holt Line, (signed) F. S. Hampshire & Co. (Ltd.), agents; The Prince Line (Ltd.), (signed) Zerrenner Bulow & Co.

We will place in the record the following reply from Messrs. Hard, Rand & Co., dated October 30, 1912:

EXHIBIT 10.

OCTOBER 30, 1912.

MESSRS. THEO. WILLE & Co.,

*Agents of the Hamburg Amerika Linie and the
Hamburg Sudamerikanische D. Gesellschaft. Present.*

DEAR SIRS: Referring to your notice, dated 28th September, of an advance to 50 cents and 5 per cent in the rate of freight to New York and New Orleans, we beg to protest against the unequal treatment accorded shippers to the United States and those to Europe. Both are parties to the same agreement and with the same lines—

I just want to remark here that these letters and some cablegrams which I shall read later will show that this agreement is in existence now beyond any question, because these letters and cablegrams bring the matter down to late in December [continuing reading]:

But the latter are given until December 1 to fulfill their compromises at previous rates, whereas the increased rate is exacted of the former five weeks earlier, and this at the height of the season when we have at least—speaking for ourselves—have compromises at the 40-cent rate.

This unequal treatment we consider most unjust, and shall look to you to make good to us any increased cost of freight up to the last-named date.

Similar note has been sent to the other lines interested in the United States service.

Yours, very truly,

P. P. HARD, RAND & Co.
LESLIE C. GREENLAND.

It is not worth while to put the other letters in the record except the addresses.

A letter of the same import (Exhibit 11) was addressed to Messrs. Zerenner Bulow & Co., agents of the Prince Line; also (Exhibit 12) to Messrs. F. S. Hampshire & Co. (Ltd.), agents of the Lamport & Holt Line.

On October 31, 1912, Messrs. Hard, Rand & Co. received the following letter from the conference lines:

EXHIBIT 13.

MESSRS. HARD, RAND & Co.,
Santos.

DEAR SIRs: We have to acknowledge receipt of your favor of 30th instant, dealing with the advance in the rate of freight to New York and New Orleans to 50 cents and 5 per cent, notice of which advance was given by the agents of the lines to your good selves on 28th September last.

We beg to point out that the advance in the rate to European ports was delayed until the date you mention, say, 1st December, for the reason that several European shippers had represented beforehand that they had large compromises for October and November shipment, this being a common occurrence as regards European business at this time of the crop year.

With respect to the United States ports our notice of an advance in the rate was given on 28th September, to come into force 17 days later, but it was really 27 days later before the last steamer at the 40-cent rate left our port. During that time we received no intimation from any of the shippers here complaining of the shortness of the notice.

Any such intimation should have been made to us immediately our notice was given, not over a month later, when the lines had been engaging coffee for some time at the advanced rate. It is now too late for us to take any steps in the matter of your protest.

We remain, dear sir, yours, very truly,

Theodor Wille & Co., agents of the Hamburg Amerika Linie and Hamburg Sudamerikanische D. Gesellschaft and Brazil United States Service (signed), Ernest Boremann; Zerenner Bulow & Co., agents of the Prince Line (Ltd.); F. S. Hampshire & Co. (Ltd.), agents of the Lamport & Holt Line (signed), A. T. Smith.

Then Messrs. Hard, Rand & Co. answered as follows:

EXHIBIT 14.

NOVEMBER 1, 1912.

MESSRS. THEO. WILLE & Co.,
*Agents of the Hamburg Amerika Linie
and the Hamburg-Sudamerikanische D. G. Present.*

DEAR SIRs: We are just in receipt of letter dated 31st ultimo and signed by you jointly with the agents of the Lamport & Holt Line and the Prince Line.

It is just as common to have coffees sold for late shipment to the United States as to Europe, although as a rule probably not in such large quantities,

and as we already advised you we are compromised at the 40-cent rate for October and November shipments.

We beg to contradict your statement that you had received no intimation from any of the shippers here complaining of the shortness of the notice; although we did not do so in writing, we objected verbally.

While we intend shipping at the advanced rate, we do so under protest, and shall expect your lines to reimburse us on the quantity we may ship by their steamers to New York and New Orleans up to the last of December.

Yours, very truly,

A similar letter (Exhibit 15) we sent to Messrs. Zerrenner, Bulow & Co., agents of the Prince Line, and a similar letter (Exhibit 16) to Messrs. F. S. Hampshire & Co. (Ltd.), agents of the Lamport & Holt Line.

In answer to that letter the conference lines addressed the following letter to Messrs. Hard, Rand & Co.:

EXHIBIT 17.

SANTOS, November 5, 1912.

MESSRS. HARD, RAND & Co. *Present.*

DEAR SIR: We have to acknowledge receipt of your favor of 1st instant, and our object in writing the present is merely to state that we have no recollection of your having made to us, at the time our notice of advance in the rate of freight was given, any remark which we could have understood as being a formal objection or protest against such advance, and further, that any such objection or protest should have been made at the time in writing, as was done by you on the 30th ultimo.

We regret, therefore, that we are unable to take your protest into consideration.

We are, dear sirs, yours, faithfully,

Zerrenner, Bulow & Co., agents of the Prince Line (Ltd.); F. S. Hampshire & Co., agents of the Lamport & Holt Line; Theodor Wille & Co., agents of the Hamburg S. D. Gesellschaft, Hamburg Amerika Linie, and Brazil United States Service.

Again, on November 6, 1912, Messrs. Hard, Rand & Co addressed the following letter to Messrs. Theo. Wille & Co., agents of the Hamburg Amerika Line and the Hamburg South American Line:

EXHIBIT 18.

NOVEMBER 6, 1912.

MESSRS. THEO. WILLE & Co.,

Agents of the Hamburg Amerika Linie

and the Hamburg-Sudamerikanische D. G., Present.

DEAR SIR: Acknowledging receipt of your letter of the 5th instant, we can only confirm the statement in our letter of the 1st instant, as to our verbal protest at the time we received notice of the advance. We did not then, nor do we now, see the necessity of making a formal protest in writing to parties with whom we have had business connections for so many years. You do not give, and we do not see that you can give, any reason in equity why European shippers should be treated with such partiality.

We repeat that, while we intend shipping at the advanced rate, we do so under protest and shall expect your lines to reimburse us on the quantity we may ship by their steamers up to the 1st of December to New York or New Orleans.

Yours, very truly—

A letter of the same import (Exhibit 19) was sent to Messrs. F. S. Hampshire & Co. (Ltd.), agents of the Lamport & Holt Line, the same date; also (Exhibit 20) to Messrs. Zerrenner Bulow & Co., agents of the Prince Line.

In answer to that letter the agents of the conference lines addressed the following letter to Messrs. Hard, Rand, & Co.:

EXHIBIT 21.

SANTOS, November 7, 1912.

Messrs. HARD, RAND & Co., *Present.*

DEAR SIRs: In reply to your letter of the 6th instant we beg to inform you that we regret being unable to accept shipment of your coffees under protest.

We beg to advise you that copies of all correspondence recently exchanged with you are being sent to our principals.

We are, dear sirs, yours, faithfully,

Lamport & Holt Line, p. pro. F. S. Hampshire & Co. (Ltd.), agents, (signed) A. T. Smith; Hamburg Sudamerikanische Dampschiffahrts Gesellschaft and Hamburg Amerika Linie, P. P. Theodor Wille & Co., agents, (signed) Ernest Bormann; The Prince Line (Ltd.), (signed) Zerrenner Bulow & Co., agents.

On November 7, 1912, Messrs. Hard, Rand & Co. addressed the following letter to Messrs. Theo. Wille & Co., agents of the Hamburg Amerika Line and of the Hamburg-South American Line:

EXHIBIT 22.

NOVEMBER 7, 1912.

Messrs. THEO. WILLE & Co.,

*Agents of the Hamburg-Amerika Linie,**and the Hamburg-Sudamerikanische D. G. Present.*

DEAR SIRs: We have received your letter of even date and are pleased to note that you are sending copies of our recent correspondence to your principals, who we feel satisfied will see the justice of our claim.

Yours, very truly—

On the same date they sent a letter of the same import (Exhibit 23) to Messrs. F. S. Hampshire & Co. (Ltd.); also (Exhibit 24) to Messrs. Zerrenner, Bulow & Co., agents of the Prince Line.

The following cable messages were exchanged between Hard & Rand, of New York, and Lamport & Holt, of Liverpool:

EXHIBIT 25.

To L. & H., December 9, 1912:

Cervantes brings copies letters between Hardrand, Santos, and Conference lines which agents sent you. Rely on your conceding justice their claims. Have firm offer 25,000 Tapajos 26 net three ports.

From L. & H., December 10, 1912:

Sorry but with all due respect consider claims your Santos firm most unreasonable, and that agent's lines acted more than liberally having regard terms agreement. Offer Tapajos does not constitute charter rate according agreement.

I want to call attention to the fact that Mr. Purcell yesterday testified that he had an offer from the Brazilian Line to take cargoes of their coffee, and that that offer was rejected because the offer was not to charter within the terms of their agreement.

Mr. HARDY. He said, if you will allow me, that they did not take them because the offer did not suit them; that they had one vessel ready to go but he did not have his coffee ready to go.

The CHAIRMAN. But this cable explains, from the standpoint of Lamport & Holt, that it was rejected because, as he says, "Offer does not constitute charter rate according to agreement" [reading]:

To L. & H., December 10, 1912:

Are entitled same consideration given European shippers. We secured protection Java all business closed before advance and you granted same autumn, 1905. Tapajos covered clause three and unless accorded justice at once will cable Brazil advising shipments Lloyd.

From L. & H., December 11, 1912:

Sorry disagree but Santos agents all lines with all circumstances before them unanimous rejection claim and with full approval of all principals. You overlook European rate was already higher level to accord more closely market value tonnage strongly recommend you not take hasty action which might cause you grave prejudice.

EXHIBIT 254.

Memorandum of agreement between Messrs. ———— (hereinafter called the Shippers), and The Royal Mail Steam Packet Co., Hamburg-Suedamerikanische Dampfschiff fahrts-Gesellschaft, Hamburg Amerika Linie, Norddeutscher Lloyd, Lamport & Holt Prince Line (Ltd.) (hereinafter called the Lines), whereby it is agreed as follows:

1. That subject to the conditions hereinafter expressed the Lines will pay a rebate of 10 per cent on the freight of coffee shipped from Santos, Rio de Janeiro, and Victoria by their respective steamers to the ports of Antwerp, Amsterdam, Rotterdam, and the rivers Weser and Elbe, and Copenhagen, and to the ports of the United States of America, during the year beginning September 1, 1909, and ending August 31, 1910, and thereafter year by year until further notice.

The rebate to be paid to the shippers will be computed every 12 months, say, up to August 31 in each year, and be payable three months afterwards, but only if they have confined their shipments to Antwerp, Amsterdam, Rotterdam, and the rivers Weser and Elbe, and Copenhagen, and to ports in the United States to the Lines.

No rebate will be paid on sample lots, nor on additional freight charged for delivery at post-terminal destinations of goods shipped on through or optional bills of lading.

A statement of rebate claim must be made on a form as annexed and presented within three months after August 31 to the agents of the line which has carried the shipments in respect of which the rebate is claimed.

2. That the freight to Europe shall not be more than 5 shillings and 5 per cent primage per ton in excess of that of which coffee can be shipped and actually received at the time in question by outside steamers, with a minimum rate of 20 shillings and 5 per cent primage.

3. That the rate to the United States shall not be more than 10 cents and 5 per cent primage per bag in excess of that at which coffee can be shipped and actually received at the time in question by outside steamers, with a minimum rate of 30 cents and 5 per cent primage.

4. That no exporter shall be allowed more favorable conditions than another.

5. That 14 days' notice will be given of any increase in the rate of freight, and the tonnage required by the shippers will be supplied at the lower rate at the time notice is given to the extent of tonnage available by the ships of the Lines loading within 14 days from the date of notice.

6. In case the Lines fail to supply the available tonnage required at the above rates of freight by their own or chartered steamers within a reasonable time, say, 14 days from the date of request, or if their current rate be not in accordance with what is stipulated in clauses 2 and 3 of this agreement, the Shippers shall be at liberty to charter or ship in an outside vessel or vessels, or a part or parts thereof, without prejudice to their right to rebate under this agreement. In case of the shippers deciding to charter outside tonnage upon the grounds that the rate of freight charged by the Lines be at any particular time more than 5 shillings and 5 per cent per ton and 10 cents and

5 per cent per bag, respectively, in excess of the rates of freight at which coffee could be shipped in quantity at the time in question by outside steamers, then the shippers shall produce to the agents of the Lines in Brazil, at the time of such outside chartering, evidence as to the latter rate of freight. It is understood and agreed that the shipper will not offer, directly or indirectly, any chartered tonnage of theirs to other shippers at a lower rate of freight than their own charter rate.

7. Until further notice any shipments by steamers of the National Brazilian Line, under the Brazilian flag, to the United States, and of the Koninklyke Hollandsche Lloyd to Amsterdam, at not under the rates of freight and conditions of the Lines, will not prejudice the Shippers' claims to rebate.

8. All disputes arising upon this agreement shall be referred to arbitration in London under the terms of the arbitration act, 1889.

In any such arbitration all protests, certificates of brokers, surveys, and other mercantile documents shall be admitted in evidence for what they are worth.

Dated, ———, 1909.

TESTIMONY OF MR. WILLIAM LOWRY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the stenographer your name and address and your business.

Mr. LOWRY. My name is William Lowry; address, New Orleans, La. Until lately I was the representative of the Pan-American Mail in South America, in Rio and Buenos Aires. I had from them a power of attorney which gave me full legal authority to transact any business for them in the way of contracts for freight, making rates, or any other business of that nature.

The CHAIRMAN. What lines did you say?

Mr. LOWRY. The Pan-American Mail. That is the name by which it is best known. Its real name is the Mississippi Valley, South America & Orient Steamship Co.

Mr. HUMPHREY of Washington. Where does this run from?

Mr. LOWRY. From New Orleans to Brazil, Buenos Aires, and return.

In the interest of this line I was in Rio in the month of September, but this was not my first experience in this business. Perhaps it would be just as well for me to go back a little further and give you an idea of what has happened since 1904. In that year I was a representative at Buenos Aires—or rather a large lumber exporting firm from our Gulf.

Due to the very sharp competition with British firms, we found it necessary to try and work out some cheaper freight rates than the one we were getting. So we took up time—chartered vessels, thinking we would probably be able to use them with coffee from Brazil back to the Gulf port. I think it was in the spring of 1905—I am not quite sure about the month—the first of these steamers came down with a full cargo of lumber from the Gulf. I investigated the situation in regard to coffee in Rio, and found it is practically as has been given to you by everyone who has spoken there. The rebate system was in force, and there was no possibility of getting any coffee there from any company except one.

The CHAIRMAN. What lines were operating between this country and Brazil at that time?

Mr. LOWRY. Between this country and Brazil there were the Lamport & Holt and the Prince Line, which were doing the busi-

ness between this country and there. I can not say exactly about the Prince Line, whether they were operating a coffee business at that time or not. However, they were operating between the United States and Brazil at that time.

We finally had to charter this boat—this one outside firm had a very low rate of freight; I think, $22\frac{1}{2}$ cents a bag. That was in 1905, and the conference rate of that year was 35 cents.

The CHAIRMAN. What firm was that?

Mr. LOWRY. Arbuckle, of New York. This $22\frac{1}{2}$ cents a bag does not really represent $22\frac{1}{2}$ cents a bag, because the way the charter is made it includes a $2\frac{1}{2}$ per cent address commission for the charter, so that really amounts to about $2\frac{1}{2}$ mills a bag. They stated yesterday that when coffee is sold the price of freight has nothing to do with the price of the coffee, but when they are making charters, 0.7 of a cent a bag makes a great deal of difference.

My next experience was in 1906. In that year I took a contract to deliver, personally, a large quantity of timber for some port works in the Argentine; if I remember right about 36,000,000 feet. It took about six steamers. The class of this timber was such that we could not use the ordinary form of charter, which is known as the "pix pinus" form of charter. So I had to take time charters in order to handle this timber. I expected to do the same thing that I had done when I was in business with these other people, but I thought it would be well to investigate the conditions of the coffee market in 1906; that is, the tonnage market. I found exactly the same condition existed there. It was impossible to find one outside shipper, with the exception of Arbuckle. I put one of these vessels—the first vessel did not get there in time, and the other we have on charter. I did not get there in time to save the first one. The first vessel took a cargo from Buenos Aires to Santos, and left Santos in ballast to the United States. The balance of them I sent on a triangle, but on a different triangle from the one which was mentioned yesterday. I sent them back to Europe with grain, and re-delivered them there to their owners.

Mr. HARDY. With grain from where?

Mr. LOWRY. From the Argentine. Last year, in May, I was called to New Orleans to go down and represent this new company in Buenos Aires and Rio. I went on the first steamer that arrived in Buenos Aires, on the 2d of August. On that day we cabled, or I cabled, our agent in Rio, asking him what the prospects for coffee were. He said nothing definite, but wanted me to put the steamer on berth in Santos as soon as I could get away from Buenos Aires. I refused to do this unless there could be some contract made for, I think, if I remember right, 1,000 tons of freight or, probably, 2,000 tons of freight, at a rate of 30 cents a bag. If I remember right, the conference rate was then 40 cents.

I got no satisfaction at all, so I did not send the vessel to Santos but went up to Rio on it myself, and I investigated the coffee market thoroughly there. I saw every shipper who shipped any number of bags at all during the year. I could not find one shipper in Rio outside of Arbuckle but what had stated to me personally they had a contract with the conference lines.

The CHAIRMAN. What lines are those?

Mr. LOWRY. I think I left here yesterday a copy of the 1909 agreement, which gave the names of the lines.

The CHAIRMAN. That is, those are the lines which have been mentioned in the testimony?

Mr. LOWRY. Those are the lines which have been mentioned all along, but my copy giving this I left here yesterday.

The CHAIRMAN. It is in the record.

Mr. HUMPHREY. Let me ask you a question so as to get the date clear in my own mind. Was it August of this last year?

Mr. LOWRY. Yes, sir; August of this last year—August 2, 1912—was when we arrived in Buenos Aires. We telegraphed over that day or the following day, or some time within three days of the time I arrived in Buenos Aires, to Rio. I arrived in Rio on the 6th day of September, and during the 22 days that I was there I did nothing but investigate this situation. There was not very much to investigate, because it was exactly the same thing that I had found out in two previous instances.

The CHAIRMAN. Tell the committee just exactly what you found out.

Mr. LOWRY. I found that no shipper would ship on an outside line to the United States for two reasons: If he was a large shipper he already had owing him a sum of money in deferred rebates which would more than balance any saving that he might make on a shipment on our steamer. That was one reason. The smaller shipper was afraid to ship on our vessels, because although he did not have so much money owing him in rebates, he was afraid that the next time he came along and wanted a ship, they would say, "There is no room in this vessel for you," or "We are very sorry that we have not a vessel to meet the engagement that you wish," or find some very polite way of not taking his coffee. Those are the two reasons.

The CHAIRMAN. You obtained those reasons directly from the shippers themselves?

Mr. LOWRY. I got those reasons directly from the shippers. In addition to that there is another reason. Of course it is a rebate reason, but it is the biggest reason of all. It is the big stick that they use. That is, the European rebate. With the exception of Arbuckle & Co., there is no very large shipper in Rio which ships as much, or almost as much, to Europe as they do to the United States. It is absolutely impossible, as has been shown by the experience of the Lloyd-Braziliero, for any independent line that has not a European connection to secure freight from Brazil to the United States, for this reason: That there is as much money being owed for the rebate on European shipments as he is to receive on United States shipments. Therefore if he deviates from one of the conference lines on his United States shipment he loses his rebate on his European shipment.

The CHAIRMAN. As well?

Mr. LOWRY. As well. Now, there is the very important point, that it does not do to lose sight of for one moment, for this reason: While we may legislate in the United States in such a way as to prevent these vessels or these lines carrying on this present rebate agreement, I do not see how we are going to do that in regard to Europe, and if to-morrow they find it impossible to pay rebates on coffee coming to the United States, they are going to say to Mr. Purcell, "Mr. Purcell, we are very sorry we can not pay you any rebates on your 350,000

bags you shipped to the United States this year, but instead of paying you 10 cents a bag on what you shipped to Europe we will be willing to pay you 20 cents just as long as you do not ship outside of the combination."

And that is what we find ourselves up against. Of course, the remedy for that is simultaneous legislation in Brazil and legislation in accord in this country. This matter has already been taken up with Brazil.

Mr. HUMPHREY. Let me ask you this question: Suppose the Attorney General should proceed to get a decree against these vessels to absolutely bar them out of the United States?

Mr. LOWRY. That is absolutely a question of law, not a commercial question, as I know it.

Mr. HUMPHREY. But that would probably be a remedy?

Mr. LOWRY. Yes. I am not qualified to talk on that particular point, though.

The CHAIRMAN. In other words, if the Senate should pass that bill——

Mr. HUMPHREY. If the Senate should pass that bill they would be close to it.

Mr. LOWRY. In regard to this legislation in Brazil, I think some one mentioned yesterday—oh, yes, Mr. Slechta—that some had been initiated. The minister of transportation last June requested a bill to be drawn up, and our agent there talked this matter over with a lawyer there who was nominated by the minister of transportation, and the bill was drawn, and my last understanding when I left there in October was that this bill was to be pushed through with the backing of the Brazilian administration. Whether that has been done, I do not know.

Mr. HUMPHREY. Let me ask you at this point: Have you a copy of those rebate contracts?

Mr. LOWRY. I left them here.

Mr. HUMPHREY. They are in the record?

Mr. LOWRY. They are in the record, and I left a copy of the agreement of 1909 here yesterday.

Mr. HUMPHREY. You found that that was universal, the use of those rebate contracts?

Mr. LOWRY. Oh, yes, universal; and has been ever since 1904. Of course the effect of that is this: We are paying an artificial freight on coffee there. We are paying about \$8 a ton on coffee when we are paying about \$11 a ton on lumber down there. Now, lumber is a commodity which costs very much less to handle than coffee. We heard Mr. Slechta say yesterday in regard to this triangular course. I made a note of it at the time. I think he said that this triangle was from New York to Europe, Europe to South America, and South America to New York; that that was about the trend of freight. Well, that may be of high-class freight. I do not know anything about high-class freight, but it looks to me as though the trend was just the opposite to that, from Europe to New York, New York to South America, and South America to Europe. I think his own argument shows that. He had 32 steamers leaving 100 per cent full last year, and he brought very little coffee back in. Also, if I remember right, the Prince Line declared a dividend of 7 per cent in 1911, and they carry our products down and bring coffee back.

In addition to that, as I stated, the freight on coffee up is about \$8 now, when they have raised the rate, while \$11 has been obtaining a ton for lumber going down. So it looks very much as if he was wrong about that particular angle of the triangle, anyway. We will not talk about the other.

The effect of it is this: The merchant of the United States and the manufacturer has to pay 40 or 50 per cent more to send his goods down there than the Englishman does.

The CHAIRMAN. Now, make that clear.

Mr. LOWRY. If an artificial condition is created by which we pay more for our coffee than we could get it for in a competitive market, with freight rates open, no vessel will go in the business of carrying stuff to South America, because they know they can not get any cargo back. So we are at the mercy of the few lines which are in that coffee deal. They are going to charge for the rates what they can get down there. The difference is, as Mr. Slechta said yesterday, that they cut slightly under the rates of the conference lines so that the manufacturer of lumber going south is paying \$22 a thousand feet to take it to Santos, which is about \$11 a ton, on a commodity which costs, I should judge, about 75 cents a ton to handle, against about \$1.60 for coffee. Lumber needs no dunnage. Coffee needs very expensive dunnage wrapped around the iron work, which it is liable to touch in the interior of the ship, and no other kind of material must be carried with it which might impart an odor to it, and yet withal they carry lumber cheaper down there than they do coffee, due to this artificial arrangement.

Mr. HUMPHREY. Do you know whether there is a greater difference in the rates from Europe to South America than from New York to South America?

Mr. LOWRY. I could not say positively. I am quite sure it is a much lower rate, though. I know it is only in the last year that we have been able to sell any bulk commodity against Europe. For instance, on cement, as Mr. Slechta said yesterday, it is only during the last year that we succeeded in making a low enough rate on cement in order to get American cement to Rio. I know that to be a fact. So far that condition has never arisen in Buenos Aires, because up to the present time they have been able to sell no American cement down there at all.

Further than this, the Argentine makes the rate on tramp tonnage west of the Suez Canal every year, and vessels go out there in ballast to take their grain back, which I think would answer your question in a general way, showing that they do not even get going freights to go out there.

Mr. HUMPHREY. I want to ask you this, referring to cement: Do you know about the history of cement freight rates down there after contracts were placed here in the United States for a large amount, that the conference lines notified them that the rates would be raised between this country and there?

Mr. LOWRY. I know that.

Mr. HUMPHREY. In order to throw it to Europe—and did do so?

Mr. LOWRY. Yes, sir; that has been going on ever since I knew anything about it.

Mr. HUMPHREY. And the same thing occurred in regard to flour, did it not?

Mr. LOWRY. Yes, sir.

The CHAIRMAN. Although it seems that we have a preferential duty?

Mr. LOWRY. They absorb the preferential duty in the interest of their freight rate.

The CHAIRMAN. I understand that.

Mr. HUMPHREY. As soon as we got the preferential duty the conference lines immediately absorbed the rate—took the preference and kept the freight where it was.

There is one thing that was brought out yesterday, Mr. Chairman, and I should like to go into it, if it has not been already. I think it may be material. Do you know whether it was stated here yesterday what time the Royal Mail Line took over the Lamport & Holt Line?

Mr. LOWRY. It was not stated the time they did. In fact, it was not stated clearly at all. Mr. Slechta said that he understood it, but there was no direct testimony to that effect—that they had taken it over.

Mr. HUMPHREY. Do you know in reference to the taking over of the Lamport & Holt Line by the Royal Mail, whether at that time this last increase in the price of coffee was made?

Mr. LOWRY. I know that when I was there, which was in October, which was previous to the time they raised the price on coffee, the agent of the Royal Mail Line in Rio was the manager of the trust—a Mr. Harrison—so that I should think from that evidence that there was not any doubt but what it had been taken over at that time.

Mr. HUMPHREY. The one reason why I wanted to ask about it was to get it before the committee. Practically the only lines now running from this country to South America are the Royal Mail and the Hamburg-American Lines, are they not?

Mr. LOWRY. From this country? No. They go on the three-corner route. The Lamport & Holt Line runs from this country to Brazil.

Mr. HUMPHREY. But they now control it?

Mr. LOWRY. Oh, yes; I see your idea.

Mr. HUMPHREY. The point I am making is that they are getting the thing nearer together.

Mr. LOWRY. They are getting the thing nearer together.

Mr. HUMPHREY. They are anticipating the opening of the Panama Canal, and I was informed that that was the thing that moved them.

Mr. LOWRY. I should imagine that would be what they would do.

Mr. HUMPHREY. They are getting closer together, so that they have practically the two heads to deal with, the Hamburg-American or the Royal Mail.

The CHAIRMAN. Our consul at Rio reports to us that this Lamport & Holt Line, so far as he has been able to ascertain, was taken over within the last year.

Mr. HUMPHREY. I got this information from a gentleman who has talked with the head of the Royal Mail in London. His information was that they proposed to take over the Lamport & Holt Line, and a number of these other lines, and get ready for the opening of the Panama Canal; that they wanted to get the thing as close together as possible. In other words, they wanted to have it as nearly under one head as it could be so they could absolutely control it from one point.

Mr. LOWRY. Just a moment, right here. Our consul also reports that his information is to the same effect with respect to the Prince Line, that it is also being taken over by the Royal Mail.

Mr. HUMPHREY. The Royal Mail proposes to get control of all those lines on the east coast.

Mr. LOWRY. That would be their natural course of operation.

Mr. HARDY. Just one question. I want to find out about this Royal Mail Line. When the Lamport & Holt and the Prince Line were the conference lines, was the Royal Mail an outside line then?

Mr. LOWRY. They were not doing any business for the United States. They were only doing business for Europe. They were one of the conference companies, but they were not doing business to New York.

Mr. HARDY. That company comes in and absorbs two, at least—

Mr. LOWRY. Of the companies that were running between the United States and Brazil?

Mr. HARDY. So it leaves between the United States and Brazil only the Hamburg-American and the Royal Mail, wiping out the other?

Mr. LOWRY. It is practically one.

Mr. HUMPHREY. They got control of all the South American lines, both between Europe and South America and this country.

Mr. HARDY. Do you mean the Hamburg is the same as the Royal Mail?

Mr. LOWRY. Not as to management, but identical as to methods.

Mr. HARDY. They belong to the same—

Mr. LOWRY. They belong to the same family; that is the idea.

The CHAIRMAN. They have the same agreement?

Mr. LOWRY. Yes, sir.

The CHAIRMAN. The Royal Mail operates from ports of the United States to the west coast of South America?

Mr. LOWRY. No; it is the Pacific Steam Navigation Co.

The CHAIRMAN. The Royal Mail?

Mr. LOWRY. The Royal Mail—no, sir. They have also absorbed the Pacific Steam Navigation Co., but it is a separate line.

The CHAIRMAN. And our reports show that they are in agreement with the United Fruit people.

Mr. LOWRY. The Pacific Navigation Co. is?

The CHAIRMAN. The Royal Mail. I mean they are in agreement with the United Fruit Co.; they have an understanding.

Mr. LOWRY. A working arrangement.

The CHAIRMAN. A gentleman's agreement.

Mr. HUMPHREY. On that particular point, Mr. Chairman, it might be interesting for me to state further that the information that this gentleman gave me—he has talked with one of the leading officials of the Royal Mail—is that they intended also to get these lines on the Pacific, and that it was their intention, which they made no attempt to conceal, but in fact were rather proud of it, as soon as the Panama Canal was opened to absolutely monopolize the freight which went through there, and they were making their arrangements then to purchase terminals at San Francisco and other Pacific points.

Mr. LOWRY. So far as I can see there is no question but what we have built the Panama Canal for the benefit of the British commerce

unless the United States finds some way of helping its merchant marine.

Mr. HARDY. Mr. Lowry, do you know who owns the stock in the Royal Mail?

Mr. LOWRY. No, sir; that would be pretty hard to say. It is divided.

Mr. HARDY. Are our American capitalists in it?

Mr. LOWRY. I do not think you would find very many American capitalists in the Royal Mail. That is a very British institution. You will find that those in the allied lines do not interfere with the Royal Mail's business. For instance, the Leyland Line there, about August when the cotton season is dull in the States or before it is begun, finds it necessary to send four or five of their steamers to Rio with coal. Those are great, fine steamers, the finest steamers of the Lamport & Holt and Prince Lines. They send them to Rio, and after they unload the coal they do not put them on the market to handle any further freights. They go back to New Orleans and they stay there. They do not do any work for two months. They go back to New Orleans and wait for cotton. There may be some reason for it. I have never been able to find out what it is, though.

Mr. HARDY. What line is that?

Mr. LOWRY. The Leyland Line.

Mr. HARDY. Who owns that?

Mr. LOWRY. The International Merchant Marine.

Mr. HARDY. Who are the stockholders?

Mr. LOWRY. I do not know. It has been rumored that there is a gentleman in New York, by the name of Morgan, who has something to do with it.

The CHAIRMAN. That is a New Jersey corporation, is it not?

Mr. LOWRY. Yes, sir.

Mr. HARDY. Just that little matter, does it not show that the American shipper and the European shippers, the English and the New Yorkers, are all working in perfect harmony?

Mr. LOWRY. It shows that the people who have the biggest amount of money seem to be working in perfect harmony.

Mr. HUMPHREY. As a matter of fact, they not only agree on freight rates and rebates, and all that, but they agree on sailings?

Mr. LOWRY. They agree on sailings, not to interfere in certain trades. There is no question about that.

Mr. HARDY. That is the reason these ships lay down there for two months doing nothing?

Mr. LOWRY. Yes, sir. They could not afford to put those on the Brazilian traffic because that would mean that the Royal Mail or the Lamport & Holt Line would be butting into the North Atlantic pool, which they do not want them to do.

The CHAIRMAN. Do you know anything in reference to this, as between these conference lines and the Booth Line?

Mr. LOWRY. No, sir; I do not.

The CHAIRMAN. Is there anything else you wish to say now?

Mr. LOWRY. No; I have said all that I want to say.

Mr. HARDY. I wish to ask one question. This kind of agreement which you have been speaking of, these ships lying down there idle, does that result in a great deal of shipping remaining idle that might be used for the general good and to the general reduction of freight?

Mr. LOWRY. I should say most decidedly so.

Mr. HARDY. In other words, whenever a ship goes in ballast or lies idly by, by virtue of an agreement, that has a tendency to prevent reduction of freights?

Mr. LOWRY. That has a tendency to make the man in the United States pay more for his cup of coffee.

Now, I am quite satisfied that the coffee rates as they exist on the steamship lines, I think it is worth 40 or 50 cents a bag at least to bring coffee to the United States. But if there was free competition, it would be brought up for 25 cents, because the trend of trade is southerly, and so many more vessels would go in that trade if they were sure of getting something to bring. That would increase our commerce with South America though, and they do not want to increase our commerce with South America.

Mr. HARDY. You think in addition to that we would get cheaper rates on our lumber?

Mr. LOWRY. We certainly would, because we would get the competitive rates south.

The CHAIRMAN. If a vessel can get a full cargo both ways, there is a great difference in the rate which it can afford to charge?

Mr. LOWRY. Absolutely.

The CHAIRMAN. Have you any suggestions to make in reference to the remedy for the existing conditions?

Mr. LOWRY. As I say, simultaneous legislation in both countries, or, what is better than that, the United States governmental support of their merchant marine for lines for this specific trade. We think they will never increase that commerce, and there is never to be an opportunity to consider any such provisions because North and South America hold it.

Mr. HUMPHREY, of Washington. Would not private enterprise be better than governmental enterprise?

Mr. LOWRY. Private enterprise has too much pocket patriotism about it; I do not mean a small edition of patriotism, but I mean patriotism for the benefit of the pocket.

Mr. HARDY. You mean we all are willing to let somebody else "pay the freight."

Mr. LOWRY. What individual is going to put his money out where he can not possibly get more than 4 per cent and where he stands a chance to lose it?

Mr. HUMPHREY, of Washington. Would not one of the main advantages in having the Government assist be the assurance that it would give the shipper in South America that it was going to be permanent?

Mr. LOWRY. That it was going to be permanent?

Mr. HARDY. On the other hand, is it not well known that where somebody has reason to believe that somebody else is going to help him that he will not be inclined to help himself?

Mr. LOWRY. That may be very true in regard to individuals, but I do not think it is true in regard to steamship companies.

Mr. HARDY. Do you think it is possible by subsidy to establish a nonpaying enterprise?

Mr. LOWRY. I did not say "subsidy."

Mr. HARDY. I wanted to be certain whether you were working around the "subsidy."

Mr. LOWRY. I did not say "subsidy." I said "find some method." Although the Brazilian Government thought that if they had to buy goods from the United States at anything like fair prices it is necessary for a line to be put on between the United States and Brazil, and to support that line it is necessary to pay them a subsidy, and they are willing and ready to do that.

Mr. HARDY. You heard Mr. Slechta say they lost several million dollars?

Mr. LOWRY. He meant the Lloyd Brasileiro, in relation to which every man in their service, from the captain to the fireman, has some political affiliations, and everybody is a grafter.

Mr. HARDY. Would it not be the same if we went into the subsidy business in this country?

Mr. LOWRY. I do not think it would unless we run a Government line. I am not proposing that we have government ownership of steamship lines run for the benefit of the constituents of our politicians, not by any manner of means, although it would be a very delightful thing. [Laughter.]

Mr. HARDY. But you have no objection to putting in the "pie" for the benefit of private owners?

Mr. LOWRY. I do not see how it could be done. You evidently——

Mr. HARDY. Give us some idea of how you think it ought to be done.

Mr. LOWRY. You evidently have some particular idea which will be "pie" for the individual. I have not reached that stage yet. I am simply giving you the conditions; it is for you gentlemen to find the remedy.

TESTIMONY OF WILLIAM HARRIS DOUGLAS, OF ARNELL & DOUGLAS (INC.), 317 WEST SEVENTY-SIXTH STREET, NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Douglas, you give your name and address and business in which you are engaged to the committee, please.

Mr. DOUGLAS. William Harris Douglas. I am engaged in the export business through South America and other parts of the world.

The CHAIRMAN. A member of what firm?

Mr. DOUGLAS. A member of Arnell & Douglas (Inc.), New York City. I am president of that company.

The CHAIRMAN. You say you are exporters?

Mr. DOUGLAS. Yes, sir; exporters to various parts of the world.

The CHAIRMAN. Are you importers as well?

Mr. DOUGLAS. No; we are not importers, except in a very limited degree.

The CHAIRMAN. Tell the committee to what countries you are exporters?

Mr. DOUGLAS. We export to South America, the West Indies, Australia, New Zealand, South Africa, and all over the East—China, Japan, Bombay, Calcutta, the Philippine Islands—pretty much everywhere.

The CHAIRMAN. What commodities?

Mr. DOUGLAS. All classes of American goods that anybody chooses to buy. We are strictly a commission house. We do not export on the other hand except when we are forced to do so.

The CHAIRMAN. Did I understand you to say your export was to Central America?

Mr. DOUGLAS. No, sir; Central America we do practically no business with; South America, both coasts, and the other parts of the world I mentioned, but the Central American trade we practically do nothing with.

The CHAIRMAN. Tell the committee what, if anything, you know about conditions of the trade—the relations between the ship lines with whom you transact business.

Mr. DOUGLAS. The American carrying trade, as we all know, is monopolized by the foreign steamship owners. It is a combination of the English and German and other nations. They have their established lines from our ports running in all directions, you might say, and they cover the world. These lines are largely in combination between themselves, and their ramifications extend to Hamburg and London, and they exchange their conferences in Europe, because there is the head and front of the combination in America, and the idea that the ocean is free is one of the fallacies of the American Nation. The control of the ocean to-day, on all oceans, is a stronger and more pronounced and determined a monopoly, you might say, than any intercolonial trade in our States; that is, by railroad or water transportations. They absolutely dominate the entire situation.

The CHAIRMAN. You take your trade with South America——

Mr. LOWRY. Yes.

The CHAIRMAN. What lines do you use?

Mr. DOUGLAS. We use all the lines that run to the west coast. There are six. They are all in combination, with the exception of the Norton & Son, who claim to be an independent concern.

The CHAIRMAN. Who?

Mr. DOUGLAS. Norton & Son. To what extent they are independent I am unable to say.

The CHAIRMAN. What other lines trade to the west coast of South America?

Mr. DOUGLAS. There is—to give them to you accurately—I think they have all been mentioned here, however, in your hearing. They are the Houston Line, Barbour & Co., American Royal Freight, Lamport & Holt Line, the Prince Line, and the Norton Line.

There is also the South American Norton Line, that runs to the west coast, and they operate certain portions in South America in combination practically with the other lines. Also W. R. Grace & Co. To what extent Grace may be working amicably with these lines I do not know. He is supposed to be independent.

The CHAIRMAN. Do all of these lines operate between our ports and the west coast of South America or some east and some west?

Mr. DOUGLAS. They all operate on the east coast of South America.

The CHAIRMAN. What do you know with reference to the rates charged by these several lines in their service?

Mr. DOUGLAS. I might say that their method of operation is to make a contract with the different shippers at the different ports—a

yearly contract. That is, that has been their method since the combination was more closely formed. Going back two years there was competition among those lines by reason of the fact that the Houston Line were trying to force themselves into the trade, and therefore there was more or less competition for 18 months. They secured a situation, however, or position in the trade, but they then formed these combinations, as I understand it, which are gentlemanly agreements, and we merchants are called upon to make a combination with one of these lines to the extent that they will carry all of our freight. Our own firm have such a contract with the Houston Line. That does not bar us from shipping goods by the other lines, but we are expected to look to the Houston Line as our special sponsor, you might say, to see that we are properly protected and that we receive room in the steamers as we may require it.

The CHAIRMAN. Suppose you were to elect to ship over one of the other lines than the Houston Line, the rate would be the same?

Mr. DOUGLAS. If the conference would be agreeable to that position I presume the rate would be the same, but they do, perhaps, not demand but at least exact that we signify our preference as to which line we will contract with. Then the rates are the same on all the other lines which we may ship by.

The CHAIRMAN. You enter into a contract and bind yourselves to ship via the Houston Line?

Mr. DOUGLAS. Give all of our freight to the Houston Line, practically.

The CHAIRMAN. Suppose you should ship your freight by one of the other conference lines, what would be the penalty?

Mr. DOUGLAS. There is no penalty. If the Houston Line are not able at that time to provide me with the accommodations which I might desire, they go so far as to say that they are willing that I should make my own engagements with these other lines that are in the conference with them, of course. But, at the same time, if I should do that to any very great extent the Houston Line, who are supposed to be my friends, would perhaps lose some interest in my firm and my shipments.

The CHAIRMAN. But this contract binds you to ship not by the Houston Line, but in no event to ship by any line outside of the conference

Mr. DOUGLAS. I am not supposed to ship outside of the conference.

The CHAIRMAN. Well, is that one of the provisions of your contract?

Mr. DOUGLAS. The contract does not say so in specific terms. I presume you have a copy of those contracts filed with the committee?

The CHAIRMAN. We have not yet.

Mr. DOUGLAS. I have the contract here.

The CHAIRMAN. Well, we will ask you to leave us copies. Have you got a copy there?

Mr. DOUGLAS. I have.

The CHAIRMAN. Will you please let us have it to insert in the record?

Mr. DOUGLAS. I will file the last two contracts, which I have signed; that is, for last year, and for the year which runs from May 1, 1912, to May, 1913, yearly contracts.

Mr. HARDY. What reason have you for believing that this is their method of operation?

Mr. DOUGLAS. Well, simply from a general knowledge that they do not like pooling any more in New York, and these arrangements—

Mr. HARDY. Avoid the law?

Mr. DOUGLAS. I would not like to say that, sir. I am not a lawyer.

Mr. HARDY. They do not like "pooling," but they like the fruits of pooling, do they not?

Mr. DOUGLAS. You can put it that way, if you choose.

The CHAIRMAN. Pursuing that other inquiry, I believe you say the Norton Line claims to be independent?

Mr. DOUGLAS. I understand they claim so; but their rates are really identical.

The CHAIRMAN. Identical with the others?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. So that there is no combination between them?

Mr. DOUGLAS. There is not, so far as I know.

The CHAIRMAN. Is there any other competitor—the Norton is not a competitor?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Under the conditions as they exist—

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Is there any other line which is?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Is there any rebate feature to your contracts with those lines?

Mr. DOUGLAS. No, sir; we received no rebates.

The CHAIRMAN. Is there anything else with reference to the South American trade that you would like to speak of? Have you been testifying with reference to the east coast of South America?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Give the committee briefly the conditions as they exist with reference to the west coast of South America.

Mr. DOUGLAS. Along the west coast the conditions are practically the same, except that there are not so many lines, and the Lloyd Brasileiro, which has been mentioned here a number of times, is not supposed to be in the conference on that side. They act, as the gentleman who has just testified stated, in this way: I think they are sympathetic with the rates that are charged, but they invite you to present matters to them from time to time, and may concede a trifle in the rate. I think this is largely done by reason of the fact that their steamers call at more or less of the northern ports, and consequently there is a greater delay in their delivering their goods, say, at Rio, and consequently it is possible—I do not say it is correct, as an assertion—that these other lines wink at their taking freight at a trifle less, because they know that our shippers and the importer prefer to have their goods go in the other vessels that are faster, and they receive their goods more promptly.

The CHAIRMAN. You also have freight with Australia?

Mr. DOUGLAS. Yes, sir; Australia and South America, and pretty much everywhere.

The CHAIRMAN. Going to the west coast of South America there are two lines?

Mr. DOUGLAS. On the west coast of South America we ship mostly by the Prince and the Lamport & Holt and the Hamburg-American. Then there is the Lloyd Brasileiro.

The CHAIRMAN. Is that by the way of Panama?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Do they trade with the west coast of South America?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. And they go around——

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Through the Straits of Magellan?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. I believe you say the rates to the west coast are practically the same over all the different lines?

Mr. DOUGLAS. They practically are the same, except at the Lloyd Brasileiro, as I explained——

The CHAIRMAN. Yes; and the conditions under which they carry freight make it more desirable to employ the conference lines?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. And as the rates and all the conditions are practically identical with the coast?

Mr. DOUGLAS. Practically; the rates are very much higher on the average.

The CHAIRMAN. Have you anything to say with reference to the reasonableness of the rates, whether or not they operate prejudicially to our commerce?

Mr. DOUGLAS. I consider the rates are extremely high and extremely prejudicial. It is possible that the committee have been able to find out the results of the labors of these gentlemen on our shipping fields in the way of remuneration and compensation they yearly succeed in obtaining, and that would throw some light on that subject. Of course, I am not able to give the committee those facts.

Mr. HARDY. You say you consider the rates high. How do they compare with European rates to the same countries?

Mr. DOUGLAS. That question has been a mooted question for 20 years or more, and it is practically an impossibility to state the status with any accuracy, for this reason: They have both fast freight boats from Europe and they have also tramp boats and the cargo is carried entirely differently from what it is here. The high-class freight goes in the fast boat and the low-class freight and bulky cargo goes in the tramp boat. In most cases all lines from there run both the fast and the tramp boats, following. They therefore have a great advantage over this country. My own opinion is that the rates from Europe, while on the surface somewhat of a parity, and the people here claim they try to keep the rates on a parity, are very much less on the average. I should not like to state definitely as to how much they run less. Of course there has been a very heavy advance in the rates in the last two years.

The CHAIRMAN. What is the reason for that advance?

Mr. DOUGLAS. That is due to the difficulty, of course, of securing tonnage at remunerative rates and the increased cost of charters, but most of these lines own their own boats, running from here to there, and there are more or less charters of boats as well.

Mr. HARDY. What do you call a tramp boat in the service of these European transportation companies?

Mr. DOUGLAS. I beg pardon?

Mr. HARDY. You said the European trade was carried by fast boats largely, boats in the regular line, and by tramp boats.

Mr. DOUGLAS. Yes.

Mr. HARDY. But those tramp boats belong to the regular lines also, do they not?

Mr. DOUGLAS. Yes; they do. I call them tramps—that is, steamers of lesser speed and lesser cost of handling.

Mr. HARDY. They are only tramps as to name, then?

Mr. DOUGLAS. Yes.

The CHAIRMAN. Irregular sailings?

Mr. DOUGLAS. The sailings may be regular, but the speed of the boats is very much less. Of course, we suffer as well in our trade in this country by reason of the class of boats that go from here to different parts of the world, as compared with Europe. They go from Europe to Rio in, I should say, well, 14 to 18 days, a good boat. From here it is very rarely they send a boat out that would be quicker than 24 days; many of them are 28 days. There is quite a difference in time.

The CHAIRMAN. If they would give us the same facilities for our trade with South America that they give to Europe, is it true or not that the trade from this country would justify it?

Mr. DOUGLAS. You mean that if we would allow them——

The CHAIRMAN (interposing). Suppose they would give the same kind of service that they give Europe?

Mr. DOUGLAS. They will never give you the same kind of service; they do not wish to, and it would not suit them. Their effort, of course, is—while it is not a pronounced and determined effort—is a consistent policy of differentiating against American business. They want to make all the money they can out of American freight, but their inclinations and their feelings are home, not here, and that is perfectly natural.

The CHAIRMAN. In the North Atlantic trade the most remunerative service is that which has its origin in the United States; is that not true?

Mr. DOUGLAS. The North Atlantic trade, of course, is an exceptional trade. That is a trade that we are not able to handle unless we adopt more drastic and great methods, you might say, to accomplish it, or great efforts, I mean. It is a different trade entirely.

Mr. HUEBNER. Mr. Douglas, do you ship any goods by the steamship companies that operate between New York and Panama, and then transship to the west coast of South America via that Peruvian Line?

Mr. DOUGLAS. I think we do send some small amount of cargo that way. I am not quite conversant, though, with that detail, but I believe we do.

Mr. HUEBNER. What lines operate in that direction?

Mr. DOUGLAS. I would have to look to see; I could not say from memory.

Mr. HUEBNER. The Royal Mail?

Mr. DOUGLAS. The Royal Mail is one.

Mr. HUEBNER. The Panama Railroad Co.?

Mr. DOUGLAS. Yes.

Mr. HUEBNER. The Hamburg-American Line?

Mr. DOUGLAS. I believe so.

Mr. HUEBNER. And the United Fruit Co.?

Mr. DOUGLAS. They, I think, very slightly.

Mr. HUEBNER. Are there any other lines which operate in that direction?

Mr. DOUGLAS. I do not know of any; no, sir.

Mr. HUEBNER. Do you know whether there is any arrangement between those lines?

Mr. DOUGLAS. I do not.

Mr. HUEBNER. Their rates are the same, are they not?

Mr. DOUGLAS. I believe they are.

Mr. HUEBNER. Now, do you ever ship any goods to the west coast of South America from New York by way of the Straits of Magellan?

Mr. DOUGLAS. Very seldom.

Mr. HUEBNER. Do you happen to know whether there are any lines, in addition to the Merchants Line and the West Coast Line and the New York & South American Line, that operate in that direction?

Mr. DOUGLAS. I do not.

Mr. HUEBNER. You do not know about the rates charged by those lines, do you?

Mr. DOUGLAS. I do not. I might say, as the gentleman who preceded me brought up the question of cement, that that is a good illustration, perhaps, for the committee to consider, because it simply follows along the line of many other illustrations. There are large shipments of cement that could be made from this country. I think it is the Atlas Co. that made contracts out there to carry large quantities of cement, and their agents endeavored to charter boats to accomplish that purpose. There are other cement companies, however, who are also anxious to do that business and if given an opportunity would be able to send large quantities of cement from this country into Rio and other places in Brazil. The rates have been advanced very heavily on that line, however. I think the rate has been advanced from \$5 to \$7 within a very recent period—I think since last July.

As we all know, cement is shipped from England and cement is shipped from Germany, and a very serious thing in our shipping business is that when you are confronted with a position of that kind you have no safeguard, you have got to go to these lines and take the best rate they will give you, and you never know, if you do lose the business, how you lost it; but the men who sit in London can practically throw that freight the same as they can any large contract of freight from any part of the United States to any part of the world, in any direction they please, simply by the operation of lowering the rate here or there, and we are subject to that very serious complication. I understand that to-day there are, well, perhaps, anyhow 200,000 to 300,000 barrels of cement that might be shipped during the next 6 to 12 months from New York. I can not say to the committee whether it will be shipped or not, but you have no initiative. If I took that contract as a merchant, I would not know how to ship it unless I had the rate already established, which I have got to obtain by consent of London and have the rate cabled to my agent here. I might do as my friend, the Pan-American

New Orleans people, did—enter into the vicissitudes of Congress without knowing my position.

The CHAIRMAN. That would be disastrous to you?

Mr. DOUGLAS. I am afraid it would be.

Mr. AYRES. I know you have given time and thought to the freight facilities to Argentina and other ports. Have you any ideas in your mind in regard to how a fast passenger and freight line could be developed to those ports?

Mr. DOUGLAS. I tried to interest your august body in feasible and desirable improvements when I had the honor of sitting among you; but at that time you were not at all apparently interested in my views, and, while I shall be glad to give them to the committee, I doubt if they would receive any more consideration at this date.

The CHAIRMAN. Let us follow out the first plan if you will pardon me. Name one of the other trades in which you are engaged and the conditions as they exist in regard to it.

Mr. DOUGLAS. These conditions exist in practically all trades.

The CHAIRMAN. In all trades?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. What lines to Australia do you patronize?

Mr. DOUGLAS. I did not bring any data in reference to any other parts of the world by reason of the fact that the paper which was submitted to me only dealt with the situation in South America.

The CHAIRMAN. Then the rates are the same?

Mr. DOUGLAS. They are all in combination to all parts of the world, practically.

The CHAIRMAN. Are we to understand that the American-Australian Steamship Co., the United States and Australia Steamship Co., and the United Kaiser Line are all engaged in the trade from our ports to Australian ports?

Mr. DOUGLAS. Exactly.

The CHAIRMAN. And all three lines charge exactly the same rates from New York to Australia, do they?

Mr. DOUGLAS. I understand so, and the same pretense to Africa, too.

The CHAIRMAN. As regards the return voyage, is it true they do not make shipments and do not keep to that business, the return voyages from—

Mr. DOUGLAS (interposing). There is practically no return-voyage business from those markets—practically none. Once in a while there is a charter of wool from Australia, but the lines are not interested in it; and once in a while a steamer might come back from Africa, but very rarely.

Mr. HARDY. Where does that steamer go from Australia after you send it out there?

Mr. DOUGLAS. Well, she goes seeking; she will take frozen meat and take grain to Europe, or she will pick up business in various sections, because all these lines have their ramifications established, you know; they all have more or less trade routes. The ocean is laid out on a blocked plan, and the English and Germans know just where they are sending their boats; they send them to New York; they then go to South America; they know where they propose to send them afterwards; and they go to any other parts as well. It is an absolutely worked-out plan.

Mr. HARDY. The Germans, the English, and all other nationalities have a sort of supernational agreement by which they divide up this territory among the capitalists and among the nations?

Mr. DOUGLAS. Personally, I think that that largely pertains.

Mr. HARDY. Do you think anything else will ever grow out of the supposedly possible warfare between the German and English shipping interests?

Mr. DOUGLAS. You mean, do you, to give us any better rate here?

Mr. HARDY. Do you think that Germany and England, for instance, will engage in any real struggle that will result in actual competition and cutting of rates?

Mr. DOUGLAS. They have, yes, sir, in certain directions at certain times.

Mr. HARDY. Is it not the tendency for those lines, whether owned by German or English capital, or by American capital, all to get together?

Mr. DOUGLAS. Yes; but every now and then there are ambitious men in this world, and some man who has a large fleet of boats looks with covetous eyes on some other man's trade, and in doing so he has to fight his way in and then, temporarily of course, whether it is from England or whether it is from this country, there is a sharp fight; but then the conference comes together.

Mr. HARDY. It is only a bubble, and it subsides?

Mr. DOUGLAS. Exactly.

Mr. HARDY. Is not the tendency even to do away with the trouble and simply go along harmoniously?

Mr. DOUGLAS. Of course it is always better to do that; but now and then men will get irritated and upset.

Mr. HARDY. And they generally repent of it, do they not?

Mr. DOUGLAS. They usually do in their pocket, or in some other way.

Mr. HUMPHREY. What is the policy of the conference in regard to these bubbles that occur once in a while where some one makes a fight?

Mr. DOUGLAS. Well, they do a good deal like the European conference is doing now in London; they try to bring the combatants together and establish a ratio of good fellowship, according to the percentages of profits and percentages of vessels around in different places. Of course they do that as fast as they can, naturally, because they are all losing money while the fight is going on.

Mr. HUMPHREY. The policy of the conference, in short, in those cases is to brush the individual off if they are strong enough; if not, to admit him and get him to agree to the same old terms.

Mr. DOUGLAS. Exactly; they always try to crush him for a reasonable period, and if they find him too strong, they do like everybody else, they take him in.

Mr. HUMPHREY. It does not, however, result in any reduction of freights, does it?

Mr. DOUGLAS. Only temporarily; and then it generally goes to the other extreme, and means a much higher rate, so they can get back the losses they have made.

Mr. HARDY. It is a repetition of the Standard Oil processes and the railroad processes of monopolizing all through the country, is it not?

Mr. DOUGLAS. Exactly; yes, sir.

The CHAIRMAN. Getting back to the Australian trade. What do you know, if anything, about an Australian shipping ring?

Mr. DOUGLAS. As I have stated, the paper I had did not say anything about other markets besides South America, so I did not especially go into that, but I can simply say that Africa and Australia, to my knowledge, are exactly on the same parity as South America.

The CHAIRMAN. Are you interested financially in any steamship companies?

Mr. DOUGLAS. I am not interested in any steamship company except one, and that is what they call the United States & Australasia Steamship Co.

The CHAIRMAN. You are an officer in that company, are you?

Mr. DOUGLAS. I am not; no, sir.

The CHAIRMAN. Are you a director?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Between what ports does that company operate steamers?

Mr. DOUGLAS. They operate between the port of New York and the various Australian ports.

The CHAIRMAN. And do you ship your goods by that company?

Mr. DOUGLAS. No, sir. I ship them by either that company or any other line that may be—any other steamship company that may be running at the time. That is, there is no restriction in the Australian trade; there are no contracts or restrictions of any kind as to how freight may be shipped.

The CHAIRMAN. But the rates are the same, are they not?

Mr. DOUGLAS. They are.

The CHAIRMAN. Between your own line and the other lines?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. That, I suppose, is not a mere coincidence; I suppose it is like in all the other trades, there is the gentleman's agreement, is there not?

Mr. DOUGLAS. Exactly, as I understand it.

The CHAIRMAN. Are they written agreements?

Mr. DOUGLAS. I understand there are no written agreements in that trade. I do not think there are in any of the trades, although I may be wrong in that statement, but so far as my knowledge goes there is no written agreement in any trade; there are no contracts; they simply pass the business on our way—a sort of gentleman's basis.

The CHAIRMAN. They have their conferences, I suppose?

Mr. DOUGLAS. I understand they do.

The CHAIRMAN. And where are those conferences held?

Mr. DOUGLAS. I imagine they are held anywhere, on the street corner or anywhere. I do not know where they are held. I do not think they have any special place where they hold these conferences. They are all members of different exchanges and they meet on these exchanges or they use the telephone, I presume.

The CHAIRMAN. I suppose that you became interested in the business in order to get better returns and conditions for your firm?

Mr. DOUGLAS. I did not; no. The way I became interested in the business was this: I had loaded for those markets—Africa and Australia—ever since I was a boy, in sailing vessels and steamers, but some 15 years ago or more we found that it was impossible to compete with

the flowing tide of—you might say—foreign steamers coming here. And so a number of us Australian merchants simply decided that we could not load steamers or sailers any more, and we formed a company and decided to load that way instead of trying to load individually. We used to load individually before that time.

The CHAIRMAN. Yourself and other merchants engaged in that trade?

Mr. DOUGLAS. Yes.

The CHAIRMAN. That is, American merchants?

Mr. DOUGLAS. American merchants; yes, sir. There was no foreign capital in the business at all.

The CHAIRMAN. And that is an American firm?

Mr. DOUGLAS. It is a New Jersey corporation, I think.

The CHAIRMAN. Of course, operating under a foreign flag?

Mr. DOUGLAS. The vessels are simply chartered for the voyage.

The CHAIRMAN. You have no vessels?

Mr. DOUGLAS. We own no vessels; no.

The CHAIRMAN. Is there any difference in rates between shippers?

Mr. DOUGLAS. There is not. Everybody is on the same basis in all these trades, so far as I know.

The CHAIRMAN. These chartered vessels are foreign vessels?

Mr. DOUGLAS. Always; yes, sir.

The CHAIRMAN. State whether or not there are any rebates in that trade.

Mr. DOUGLAS. There are no rebates in the trade.

The CHAIRMAN. You also, I believe, export to India?

Mr. DOUGLAS. Yes; we export to India.

The CHAIRMAN. Tell the committee what the conditions are in reference to that trade.

Mr. DOUGLAS. I am not quite so familiar with the conditions there, as we only embarked in that, I think, about 18 months ago, and I have really given it very little attention, but I understand it is practically similar to the other countries that we have discussed, that we all ship by the foreign steamship lines and we all have practically the same rates. There is, however, a considerable amount of cargo which goes to the eastern markets—what I call the Asiatic markets—via London and Liverpool on bills of lading via the Cunard Line and other lines. And that goes on a through bill of lading and they transship the goods on the other side. But I think the rates are about the same. We are all on about the same basis.

The CHAIRMAN. Shipped direct or by way of London?

Mr. DOUGLAS. Or by way of London or Liverpool; yes.

The CHAIRMAN. You also have a trade with China and Japan and the Philippine Islands?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. Are the conditions any different in that trade—

Mr. DOUGLAS. No, sir.

The CHAIRMAN (continuing). Than the conditions in the Australian or Indian trade?

Mr. DOUGLAS. They are practically the same there. We all ship and pay the same freight rates, so far as I know.

The CHAIRMAN. You also trade with South Africa?

Mr. DOUGLAS. Yes, sir.

The CHAIRMAN. And East Africa?

Mr. DOUGLAS. Not to any extent with East Africa, but South Africa from Cape Town to Delagoa Bay. We are very large shippers in that direction.

The CHAIRMAN. There is a uniformity of rates between the lines?

Mr. DOUGLAS. There is an agreement between all the lines there just the same as there is in the other places.

The CHAIRMAN. What is the nature of the agreement between the lines in that trade, if you know?

Mr. DOUGLAS. I could not say from knowledge, except this, that we are not required to sign any contracts, and we ship by the different lines by simply making our engagements according to our requirements and in accordance with the date on which the steamers are put on the various lines under the arrangements made by themselves.

The CHAIRMAN. In what trades are you required to sign a contract?

Mr. DOUGLAS. The only contract which we sign is in the South American—the Argentine business.

The CHAIRMAN. Are there any competitors in the South African trades?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Or in India?

Mr. DOUGLAS. Not to my knowledge.

The CHAIRMAN. Japan or China or the Philippine Islands?

Mr. DOUGLAS. No, sir.

The CHAIRMAN. Do you make any shipments to the Mediterranean?

Mr. DOUGLAS. No, sir; we do not do any European trade.

The CHAIRMAN. I understand from you that in all these trades in which you are engaged the rates are the same, and where there is ostensible competition, as the instance made of the Norton Line, there the rates are identical with the rates made by the conference line?

Mr. DOUGLAS. I might state in order to make that clear that I do not want you to infer when I say the rates are always the same that these lines do not have for themselves the right and privilege perhaps of making large contracts at times with heavy shippers of, you might say, agricultural tools or steel products, or any heavy contracts like a number of locomotives or anything of that kind. They may then treat direct with the manufacturer or the commission house, and perhaps will differentiate on the rate, or will make a special rate which can be covered by their schedules. But with that exception I think the rates are pretty much uniform.

Mr. HUMPHREY. Is it not true that they make special rates with what is known as the Harvester Combine and the Steel Trust?

Mr. DOUGLAS. And the Oil Trust.

Mr. HUMPHREY. Those two particularly—I do not know whether it goes further. But is it not a fact that those steamship people, practically all of them, do make special rates to those two particular combines anyway?

Mr. DOUGLAS. I think they do to those three combines. I should like to include the oil, if you have no objection.

Mr. HUMPHREY. I have no objection. I just happen to have information which makes me think there is no question about the other two, and I presume——

Mr. DOUGLAS. The reason why I want to put the oil combine in is because it is generally current in New York that they do have con-

tracts with the oil people at a preferential rate, and if other people wish to ship oil they have to pay more money.

Mr. HUMPHREY. I have seen testimony given by the representatives of the steamship lines that they give special rates to all three of those you have mentioned.

Mr. DOUGLAS. I think that is right.

Mr. HUMPHREY. The Steel Trust, the Harvester Combine, and the oil people. The reason they give for it is that they say those interests are so powerful that if they do not do it they will put on their own vessels.

Mr. DOUGLAS. That is the selfish reason that should not obtain here, because that is what you gentlemen are here to protect, I hope.

The CHAIRMAN. Yes; there is no reason why they should receive that.

Mr. DOUGLAS. No; I have always claimed that a contract for freight was not taken with a view of taking it at a lower rate particularly. It is taken by the different lines that run vessels for the purpose of holding that themselves rather than having an independent shipment that would come along month to month on the market that would tend to disorganize affairs. That is, it was a strength and an advantage to the line to hold that freight, and if it made some slight concessions in taking it, covering, say, 12 months, they did it for that purpose. And under those circumstances every line that runs to a foreign country should be compelled, if it chooses to protect itself in that way, to give to every other shipper of a similar class of goods the same contract rate which it makes with that man for that purpose at the time, say, year by year.

Mr. HARDY. You think the purpose of giving special rates to these three combines was to prevent the three combines from going into the shipping business themselves?

Mr. DOUGLAS. I think in one case or two; yes. I think perhaps it is so. I think that those people, perhaps very justifiably, knowing their power and their wealth, took these men by the throat and said, "If you do not do this, we will put on our own service, even if it costs us more money than it does for the service that you give us."

Mr. HARDY. Then you think they ought to be required to give the other people the benefit of the same rate?

Mr. DOUGLAS. I think so, undoubtedly; the same as you demand that the railroads do in this country.

The CHAIRMAN. You are a large exporter. Do they give you any special rates or concessions, in view of that fact, on any of these trades to which I have called attention?

Mr. DOUGLAS. I am sorry to say that they do not. They look upon the poor export merchant as a man whom they do not desire to become too powerful. They know that if we had the power to-day we would rip up every combination that they have; and they, by reason of that fact, are not at all anxious to give us any concession. And I have not, although I have tried, been able to secure any for many years. They want to diversify and break us up. They do not want us to become an oil trust or a steel trust or a harvester trust.

The CHAIRMAN. No; because, so far as the trust is concerned, they feel like they are dealing on more equal terms, and they are compelled to make concessions there that they are not compelled to make to the little fellows?

Mr. DOUGLAS. Exactly, for this reason: Not so much that you may be a little fellow in the freight you control, but by reason of the

fact that your freight must flow continuously and regularly. A man who sends you orders every month or every week desires those orders shipped promptly, and therefore the large commission house is not able to corral and bring together its freight to the end that it could protect itself by taking a steamer, say, once in 60 or 90 days, and putting its freight in and shipping it abroad. And, naturally, if it did that as well it would have the hand against it of every combine in New York, as well as the hand of that one combination which it happened to take advantage of just temporarily in that way.

The CHAIRMAN. Do you export to Cuba and Porto Rico?

Mr. DOUGLAS. We do a West Indian business, but no Cuban or Porto Rican business.

The CHAIRMAN. The same conditions prevail?

Mr. DOUGLAS. The same conditions prevail there; yes, sir.

The CHAIRMAN. You are quite familiar with the conditions as they exist and have no doubt given much thought to the remedy. You do not consider the conditions as ideal? They ought to be remedied, should they not?

Mr. DOUGLAS. The conditions for this country, gentlemen, are so bad that, in my judgment, you lose 25 to 30 per cent of the export trade of the world to-day which you would have as easy as rolling off a log if Congress had the—you might say, desire, to use a very mild term, to place the American commerce where they should have placed it 30 years ago. I want to make that statement emphatically, because the initiative of the merchant is absolutely killed. We sit down in our houses in New York, our business places, and trades come up daily or weekly, and we are absolutely helpless. We can not get the steamers or the sailors if we wish them, because sailing vessels always go to the home port, just the same as a man goes home at night when he can, and they are not available. The merchant of New York to-day could load half a dozen boats on the west coast with grain or lumber to the various parts of the world, and you could not get a steamer there inside of three months or four months, to save your life, no matter what rate you pay. And that condition will prevail as long as we have no American ships and no American vessels of our own. And you are simply paying tribute to Europe, not in the value of the money you might so have to put out and might go into our own pockets in the way of freight, but we are losing heavily and heavily every year by the false condition, which no other nation than the American Nation would tolerate for a moment.

The CHAIRMAN. What do you suggest as a remedy?

Mr. DOUGLAS. That is a very difficult question, because I am a radical on those questions. I have felt for many years that Congress was all wrong on that subject, and I am sorry to say that the lower House has been the offender. The upper House in several instances has been right. The statement that has been made that you could not pass a bill through Congress to meet the Senate's desires I do not think correct. I have always felt that there would have been two ways. You take, for instance, South America. You go back 10 or 12 years ago and it would have been perfectly easy to have arranged mail-carrying contracts with South America by combination and agreement between the South Americans and this country, they paying a portion of the bill and we paying a portion of the bill, the same arrangement as, with their enlightenment and knowledge of

marine affairs, the English nation makes with its own colonies. But we have lost that opportunity in all probability.

The CHAIRMAN. I have understood that they are willing to do that now.

Mr. DOUGLAS. I heard that statement, and I hope it is true. It was true years ago, but whether it is true to-day I do not know. We have got to take the initiative as a governmental measure. The idea of trying to throw the onus of responsibility upon the merchants or capitalists of this country is a fallacy. It is a beautiful theory, but it will never be carried out until some sudden thing occurs, if it ever does, which would then create a situation which would bring it about. It is not a question that you have not American capital, but it is a question that you can not utilize American capital to advantage in the shipping trade to-day by reason of existing conditions—our own obligation, you might say, as a Nation, in the way we have handled the ships, and the increased cost, of course, as we all know, of the building of those ships, although to-day we have a law enabling us to buy ships anywhere we choose.

Now, the Government is the only power in this world that can bring about that condition. They have got to create the entering wedge, and it is their duty, and they should do it without a moment's hesitation, contributing enough money to have us make contracts with those people who would be willing to make them with the Government to load steamers for the outports of the world; that is, the chief countries. And they should be a combination of fast steamers with other steamers to follow that might be of the same, you might say, speed. And unless you do that I think you will stew in the mud for many years more, the same as we have for the past 30 years. It is no new problem. I am not afraid of the word "subsidy," as my friend facing me seems to be.

Mr. HARDY. I am not afraid of the word.

Mr. DOUGLAS. I am a believer in the word "subsidy." I think that is what we want to do. You talk about subsidizing. You subsidize about pretty much everything else in the world, and yet you always get, you might say, the cold shivers down the back when you talk about protecting American shipping, which is the most universal thing in the world you can subsidize to benefit this country, because it benefits every man and child and every woman that has a husband or son that is laboring.

The CHAIRMAN. Right there. Under section 5 of the Panama Canal act enterprising American citizens can, individually or in a corporate capacity, overcome that difference in the cost of building the ship at home and abroad by buying their ships abroad and putting them under the American flag and operating them in the foreign trade. They can go to the Postmaster General and get a contract under the ocean-mail act of March 13, 1901, for mail pay for those ships in the South American trade. Why do they not do that?

Mr. DOUGLAS. That is the question which has been asked many times, and it does not require much answer. It is because the pay is not sufficient. You must remember the German Government and the English Government have laid out a plan of subsidizing their ships by which those ships are to be used by the Government in case of necessity, and in very many ways encouraging the building and

putting on of those vessels on those trade routes which specially pertain to their commerce. If you will give a sufficient revenue per annum to put on American ships you will get them, but until you do give enough money you will not get them.

The CHAIRMAN. The North German Lloyd and the Hamburg-American do not receive any subsidies in the North Atlantic trade at all.

Mr. DOUGLAS. That is true.

The CHAIRMAN. They get the same mail pay that we pay foreign ships for carrying our mail, which is less than 50 per cent of the amount that we pay our subsidized lines, and yet they are most prosperous in the North Atlantic trade.

Mr. DOUGLAS. It is true that they do not pay any subsidy on that trade, but you must remember that they control the immigration traffic. These ships are indirectly, in my opinion, subsidized, although you make the statement that they do not receive a subsidy. I believe they do. If you think that the British Government and if you think that the German Government are going to tell you everything they do, I do not. I believe there is not one of these big lines—you might as well tell me that the Cunard Line is not subsidized on the Atlantic Ocean. I say there was never a greater subsidy paid by any other nation in the world than the Cunard Line has to-day. That is, they do not have to raise the money to build their own steamers. The British Government handles that for them.

The CHAIRMAN. There were two steamers built under the Government. There seems to be a lack of enterprise on our part—or I would not say that; but there seems to be a somewhat more inviting field to make investments and pay dividends elsewhere, and they have not come to that. In other words, they prefer to allow the foreigner to build the ships and to carry the commerce rather than to do so themselves.

Mr. DOUGLAS. That is a fallacy that has been played on so many years that many people believe it. I do not.

The CHAIRMAN. I would like to see them try it once and see whether they will fail or not.

Mr. DOUGLAS. They have tried it different times, and they will fail every time.

The CHAIRMAN. I would like to see some American corporation organized and buy some foreign-built ships and bring them under the ocean mail-carrying act of 1891.

Mr. DOUGLAS. If you have the courage to try it, I do not want to be interested to the same extent that you are, because you are going to make a failure. It is all well enough to throw at us the statement that we have not the courage to do it and the money to do it. We have the courage and we have the money, but we have not the facilities to do it, by reason of the conditions which obtain to-day. Nothing is going to give it to us but the Government initiative.

Mr. HARDY. Do you call your line a foreign line?

Mr. DOUGLAS. I call it a moribund line——

Mr. HARDY. You say it is a New Jersey corporation?

Mr. DOUGLAS. It is a New Jersey corporation.

Mr. HARDY. How do you get the foreign flag on it?

Mr. DOUGLAS. We simply charter any vessel that comes along; that is all.

Mr. HARDY. Your company, then, does not have any charter or corporation in foreign lands?

Mr. DOUGLAS. We have not any charters or any ships. We have not anything but a piece of paper.

Mr. HARDY. You charter a vessel and operate it under whatever flag it is under?

Mr. DOUGLAS. Yes, sir.

Mr. HARDY. These ships are under your control, are they not?

Mr. DOUGLAS. No, sir; they are not. They are chartered simply for the voyage out.

Mr. HARDY. They are while you have your charter?

Mr. DOUGLAS. They are while we have our charter—for the voyage.

Mr. HARDY. And you never charter them except for one voyage?

Mr. DOUGLAS. That is all.

Mr. HARDY. Now, your company controls a great deal of shipping. Why is it that those ships of yours do not find New York their home port—do not roost there?

Mr. DOUGLAS. Why don't they?

Mr. HARDY. You took the position that New York was wanting in shipping because these vessels of the foreign lines have their home elsewhere and naturally roost elsewhere. Now, I want to know, if American capital owns foreign ships, sailing under foreign flags, is not their headquarters in New York?

Mr. DOUGLAS. It would be if there was any such thing.

Mr. HARDY. What is to prevent your capitalists there from engaging foreign ships under foreign flags and owning and dominating and controlling them?

Mr. DOUGLAS. Because we can not meet the competition that we have to face with the foreign elements.

Mr. HARDY. You mean, then, that if you had these ships there in New York, subject to the control of local companies, you could not meet the competition?

Mr. DOUGLAS. No; and it is very plain why.

Mr. HARDY. That is the proposition; that you can not. Your idea is that this Government is in shape so it can not meet the competition of the rest of the world?

Mr. DOUGLAS. Exactly, and I tell you why. You must remember that all business has to grow, and the European business in the shipping has not been a sudden growth; it has been the growth of years. Now, for instance, presuming we had the temerity to do what our friends did in New Orleans, to endeavor to load a line on that basis—if I charter a ship to go to Australasia or South Africa, that ship knows why she is going there.

Mr. HARDY. Just a minute, Mr. Douglas. Aren't you mixing this up with that question of natural advantage?

Mr. DOUGLAS. What I am trying to make plain is this: The ships which we take, for instance, are to be loaded for Australasia, and they go there for some reason which enters into some other combination. They are desirous of going there for some purposes of their own. For instance, at certain times of the year from Australasia there are certain lines of shipping taken up by frozen meats, and so on. These ships all have their ramifications, and they go to these places because they desire to do so; if we should never send them there we would have no such ramifications. It is the same

story there again as in the coffee business in Rio and Santos. You go there and discharge your cargo and have nothing to take away.

Mr. HARDY. Do you think any subsidy could enable you to live?

Mr. DOUGLAS. Yes.

Mr. HARDY. How much of a subsidy?

Mr. DOUGLAS. I will figure it out for you if you will give me the subsidy. I have figured it out before.

Mr. HARDY. Did you say just now there was the illustration of the coffee proposition? That as soon as a lower rate of duty was given to the United States the ship combine absorbed that?

Mr. DOUGLAS. I did not say that.

Mr. HARDY. Isn't it true?

Mr. DOUGLAS. It is to a certain extent; yes, sir.

Mr. HARDY. Now, if we could give you all sorts of bounties——

Mr. DOUGLAS. You do not need to give all sorts of bounty.

Mr. HARDY. Wouldn't this combination absorb that subsidy just the same?

Mr. DOUGLAS. I do not think they would. What you ought to do is this: It is simply a question of arithmetic and calculation. If you will establish a mail carrying contract line, say from New York to certain points in South America, the capitalists and men that are interested in that business will be able to figure out what they can do in the way of running that line and the amount of money that is necessary for them to run it. You may say that if they undertake that they might meet with disaster, and so they might, you can not always foretell; but I think you can foretell to a certain degree things of that character. I believe that those lines could be established and operated, but they can not be operated under the act of 1891.

Mr. HARDY. What help would that be to ships that do not carry the mail?

Mr. DOUGLAS. To the merchant it would do this: Those would be American lines, under the control of Congress. I claim that there is not a steamship line that comes into the port of New York that should not be, you might say, either under charter or at least licensed by the United States Government. That is what you have to come to, and for this reason: If you own a ship and send her into the port of New York as a tramp boat, you are entitled to the hospitality of the United States port of entry, and you can come and you can go and receive this hospitality. But just as soon as foreign corporations come here and open their offices here and engage our facilities, receive docking facilities from us and become permanent, then they are in exactly the same position as a trust company or bank in New York. You could regulate them.

Mr. HARDY. I am disposed to agree with you on that, but I would like to stick to this question of subsidy. What help would it be to the rest of the shipping of the United States for a few ships to be subsidized by a mail contract? How would that help the others?

Mr. DOUGLAS. The rest of the ships? Why, you have no ships except coastwise ships.

Mr. HARDY. Would we have them?

Mr. DOUGLAS. Of course you would.

Mr. HARDY. What help would the subsidy to the mail-carrying ships give these other ships?

Mr. DOUGLAS. Simply this, you have to start a thing. You go back 30 or 40 years ago. I remember hearing every man in Congress

talk about the tinplate industry, that it was impossible to establish it; but just as soon as you gave us a chance we did establish it.

Mr. HARDY. Your idea is that by subsidizing a few ships the others would be able to carry themselves on?

Mr. DOUGLAS. No; not quickly. You have to subsidize and then to get the lines growing, and those things will gradually grow. You have to protect those lines—protect them against foreign domination.

Mr. HARDY. Don't you know, as a matter of fact, that no ship can live on the ocean in competition if it costs 50 to 60 per cent more than its competitor?

Mr. DOUGLAS. No; I do not know, sir, anything of the kind, and I do not believe it.

Mr. HARDY. You do not think the cost of the ship would amount to anything?

Mr. DOUGLAS. I do not think the cost of the ship is of very serious moment.

The CHAIRMAN. Your theory is that if the Government puts up enough money you can still operate, whether you have cargoes or not?

Mr. DOUGLAS. No; I won't be put in that position. I will answer Judge Hardy's question. I say that the cost of the ship is not of such serious moment, although I would give the lines which agree to run these vessels the privilege of buying these ships anywhere they chose in the world for a number of years, and gradually have them replace those ships with American-built ships. That is only a question of bonding those vessels at 4 or 4½ per cent. That would mean a cost of \$89,000 extra handicap. That \$89,000 handicap is not going to do away with the ability to build up our shipping.

Mr. HARDY. If a \$1,000,000 vessel here would cost only \$600,000 on the Clyde, and you have 4½ per cent interest put on that, bonded indebtedness, that is \$24,000 a year.

Mr. DOUGLAS. But you are not going to build any such ships as that.

Mr. HARDY. But you can illustrate it by a good ship, can't you?

Mr. DOUGLAS. You can better illustrate it by a certain ship.

Mr. HARDY. You say that does not amount to anything?

Mr. DOUGLAS. Twenty-four thousand dollars is a considerable item; yes.

Mr. HARDY. Would not the repairs equal the original cost in 20 years?

Mr. DOUGLAS. There is no ship now that would last for 20 years.

Mr. HARDY. Well, in 15 years?

Mr. DOUGLAS. I would not like to say.

Mr. HARDY. Mr. Douglas, don't you know that the added amount in the original cost, the added amount of bonded indebtedness, the added amount of insurance, the added amount of repairs, would prevent anybody from competing?

Mr. DOUGLAS. It would, to-day, under our present conditions; yes. But if the United States Government had the liberality it ought to have and would look at this thing in an intelligent way, and instead of letting this matter drift on——

Mr. HARDY. Why don't you people fight the shipbuilding monopoly some? Why don't you get cheaper ships?

Mr. DOUGLAS. My dear sir, we have all advocated cheap ships for many years.

Mr. HARDY. Have you made any effort to get a bill through Congress?

Mr. DOUGLAS. Yes, sir; I introduced it myself, and it slumbered in your committee and we could not get it out.

Mr. HARDY. Were you in favor of letting free ships come in?

Mr. DOUGLAS. Certainly; I was. It would not solve the problem, though.

Mr. HARDY. When you proposed to let free ships come in, you proposed to hamstring them by denying them cargoes?

Mr. DOUGLAS. I did. My proposition went further than yours in one way. I was willing for foreign ships to come in, by reason of the fact they were going to get this mail subsidy contract and then be replaced by American ships as fast as we could, those ships to be used in case of war by this country. You gentlemen are spending millions of dollars every year for colliers——

Mr. HARDY. It would not amount to a drop in a bucket.

Mr. DOUGLAS. It would amount to enough to start the American shipping.

The CHAIRMAN. We have already taken the first step then, from your standpoint, in admitting foreign ships to American registry and permitting them to enjoy the mail contract pay. Now, if the mail pay were increased, you think that if with the added advantage of having foreign ships and bringing them under the American flag we could build and operate a line of ships to South America, that would be helpful to our commerce?

Mr. DOUGLAS. It undoubtedly would; yes, sir. Of course, the question of free ships has been the one solid argument that those who are prejudiced against American shipping have hung their hats on for many years.

The CHAIRMAN. It is half past 12, and I suggest we take a recess.

Mr. HUMPHREY of Washington. I should like to ask Mr. Douglas some questions. Mr. Douglas, I want to go back to this fallacy that we hear so much about, that the German ships are not subsidized. I will ask you if it is not a fact that, in the first place, German lines are given preferred freight rates over the Government-owned railroads in Germany?

Mr. DOUGLAS. That has been stated as a fact for many years, and I believe it to be true.

Mr. HUMPHREY. Is it not also a fact that they are subsidized in this way, that a foreign line or a competing line can not get ports in Germany?

Mr. DOUGLAS. I understand it is true.

Mr. HUMPHREY. Are they not absolutely excluded by law from certain ports?

Mr. DOUGLAS. I would not like to say, but I am told it is so.

Mr. HARDY. How is that?

Mr. HUMPHREY. Germany will not permit a competing line to come in there at all. Just to illustrate, if an American line wanted to run in opposition to the Hamburg-American Line, they would not permit it to come in.

The CHAIRMAN. A gentleman who was here the other day promised to furnish us information on that question. He is going to translate for us the German navigation laws. There has been much assertion one way and another on that question.

Mr. HUMPHREY. There is another way, too, in which those vessels are able to help themselves very greatly. They are enabled to make these special contracts, these rebate contracts, and, of course, the German law will enforce those rebate contracts and those special contracts, discriminating contracts of every kind and character.

Mr. HARDY. You mean the German Government stands right back of the proposition we are trying to fight in South America?

Mr. HUMPHREY. They enforce them in law. In other words, they make an agreement with a German firm that they will patronize their shipping line for a number of years, and that during that time if they give any of their cargoes to a line outside of their conference the conference lines will not handle their freight.

The CHAIRMAN. I would like to have that confirmed by some correct information. I know that is not true in Great Britain.

Mr. HUMPHREY. I beg the chairman's pardon; it is also true in Great Britain. I have examined those cases, and I am not speaking at random.

The CHAIRMAN. It is exactly in the face of the common law in Great Britain.

Mr. HUMPHREY. You will find this identical case, where they made a contract with a firm in Scotland, I think it was, that if they shipped by any other line or did not comply with the terms of their contract, they would lose their rebates. They shipped from a different port—not over a different line—and it was held it was in violation of their agreement.

Mr. HARDY. In England a contract of the kind we have been speaking about in the Brazilian trade is upheld as a legal and valid contract?

Mr. HUMPHREY. Yes, sir.

Mr. HARDY. Do you know whether that is held illegal in this country?

Mr. HUMPHREY. Why, yes.

Mr. HARDY. Is it your idea it would be better to hold it legal?

Mr. HUMPHREY. No; I am certainly opposed to it. I am simply holding out some of the advantages that some of these foreign steamship lines have.

Mr. HARDY. Your idea is that the remedy is to make such a contract with them—to bar such companies from our ports?

Mr. HUMPHREY. Mr. Douglas, the question was asked here several times what effect the subsidized mail lines would have upon the lines outside of the subsidized lines themselves? What effect would it have on this combine between here and South America if we had even two fast mail lines running down there carrying freight; what effect would it have on the freight rates; would it cut it to pieces?

Mr. DOUGLAS. Of course, what action the foreign steamship conference would take in case of your starting an American line with the aid of American money is difficult for me to answer, but if you should put these lines, both American and foreign, when they want to come here, under American license, I think you could largely control that situation.

Mr. HUMPHREY. Is it not perfectly apparent to anybody that if we have a line of steamships running from here to South America, and if they should cut under the rate of this conference, the confer-

ence would either have to come down to that rate or we would get the business?

Mr. DOUGLAS. It is possible you would drive out the foreign lines, but it would take many years.

Mr. HUMPHREY. It would regulate the freight rates?

Mr. DOUGLAS. If you allow them to fight it out, either the foreign line would drive them out or they would drive the foreign line out.

Mr. HUMPHREY. Another question was asked here as to what is a sufficient subsidy to keep these lines running. Since I have been a Member of Congress it has been made before this committee as a definite proposition. For instance, the Boston Steamship Co. came before this committee one time and made a definite proposition that if they were permitted to take so much subsidy they would continue to run.

Mr. DOUGLAS. I think American capital has always been prepared, if they were able to get together with you on rates, to agree to do certain things as you desire.

Mr. HUMPHREY. There is one other question about the argument made that capital finds other fields more inviting than they do the shipping business. However, millions of American capital find the shipping business inviting under foreign flags, does it not?

Mr. DOUGLAS. There has been more or less foundation in that, but not to an appreciable extent.

Mr. HUMPHREY. Take the case of the United Fruit Co.?

Mr. DOUGLAS. Yes; the United Fruit Co. and the Standard Oil have a lot of steamers, and some few lines outside, but not any appreciable number.

Mr. HUMPHREY. So the point that shipping in itself does not offer sufficient attraction for American capital is destroyed by the fact that it is sufficient if run under a foreign flag?

Mr. DOUGLAS. Of course under our navigation laws and all we all know it gives us a good deal of trouble.

The CHAIRMAN. Mr. Stephens desires to ask a question.

Mr. STEPHENS. You stated that the Oil, the Steel, and the Harvester Trusts received special rates for their shipments from the different conference lines?

Mr. DOUGLAS. I stated that is the current rumor; you might say it is the current rumor and impression.

Mr. STEPHENS. Do you know whether the special rates given to those trusts are the cause of competition in rates between the members of the conference lines, or is it because of a preagreement between the conference lines?

Mr. DOUGLAS. I think in the case of the Standard Oil it is to some extent by reason of actual competition, as the Standard Oil has bought vessels and sailed them, as you know. I think in the case of the other people it is simply by reason of a threatened competition.

Mr. STEPHENS. You do not get me quite. Is the low rate because of competition between the different members of the conference lines?

Mr. DOUGLAS. Oh, no; not at all.

Mr. STEPHENS. They do not compete at all, do they?

Mr. DOUGLAS. No; they take that pro rata among them, you know, as it suits them.

The CHAIRMAN. Mr. Douglas, I have one other question in reference to regulation. Suppose Congress should pass an act increasing

the mail pay sufficient to overcome the obstacles you have in mind, would not the natural tendency be for our subsidized lines, in the absence of legislation forbidding it, to go into the conference or combination with these other lines?

Mr. DOUGLAS. Your law would have to prevent that; you would have to have that regulated by law.

The CHAIRMAN. State whether or not you are in favor of legislation which would bring all these lines, domestic and foreign, under the supervision of some tribunal, either the Interstate Commerce Commission or some other commission, and compel them to file their rates and submit to all reasonable regulation like the railroads?

Mr. DOUGLAS. I am; yes, sir. And I am further in favor of demanding that those through bills of lading should in all cases specify when they are from internal points—inland places—the rates of freight which pertain to the seaboard, and the rate of freight which pertains to the ocean part.

The CHAIRMAN. To be separate?

Mr. DOUGLAS. Yes, sir; on the bill of lading.

The CHAIRMAN. And that the shippers should have their election by what route or line they should ship.

Mr. DOUGLAS. Exactly; and that ought to be under control of some tribunal, such as you stated; yes, sir.

The CHAIRMAN. We will now take a recess until 2 o'clock.

AFTERNOON SESSION.

The CHAIRMAN. The committee will come to order. Did I understand you, Mr. Douglas, desire to make an additional statement?

Mr. DOUGLAS. I will just make a few corrections, if I may.

The CHAIRMAN. You may proceed.

Mr. DOUGLAS. I think I stated that I knew absolutely of no rebates being paid to ourselves or others in New York. If I am correct, I think on reflection, that there is one line that runs from New York down to the West Indies that still allows rebates. I think it is one of the fruit lines. I am not sure, but I could send the committee the name of the line if you would like to have it that still allows ourselves and some other merchants a small concession or rebate on the freight. I would like to have that correction made.

The CHAIRMAN. Is that in the form of a written agreement?

Mr. DOUGLAS. No, sir; there is no agreement; but I think that at certain specified periods they send in a rebate to different merchants. That occurred to me afterwards. It was such a small, little thing that I did not think about it at the time, but I would like to have my evidence corrected accordingly. There is also one other thing I am not quite sure of. You asked me if I was an officer of that company. I am not sure whether I am or not. I may be one, but I am not able to recall. I pay so little attention to that company's affairs for a good many years that I do not remember. I am a director—that I stated—that I do know, but whether I am one of the vice presidents, I am not quite sure whether they elected me at the last meeting or whether they did not. I would like to have those few corrections made. I would like, of course, to give you the exact statement if I was able.

The CHAIRMAN. And you will furnish the information in reference to rebates?

Mr. DOUGLAS. I will send you the name of the line, if I am correct that that line does yet allow rebates. I will send it to you personally, Mr. Alexander.

NEW YORK, January 9, 1913.

DEAR SIR: As requested by you, I looked into the matter of rebate on shipments to such countries as our firm shipped to, and find I was correct in stating we receive no refunds of any kind excepting in one case. The Hamburg-American Line, Atlas Service, the Royal Mail Packet Co., and the United Fruit Co., on shipments to Kingston, Jamaica, charge a primage of 10 per cent, which amount is rebated at the end of specified periods for the shipments during the previous six months. This concession is not paid on other ports in Jamaica nor allowed by steamship lines to other ports in the West Indies, so far as my knowledge goes. We have no contract with the lines named, and we are at full liberty to ship by any other line if opportunity offers.

The second correction made by me after lunch recess is also in order, and I would state that I am a vice president of the U. S. & A. S. S. Co. as well as director.

Respectfully, yours,

WM. H. DOUGLAS.

To Hon. JOSHUA W. ALEXANDER,

Chairman Committee on Merchant Marine and Fisheries,

House of Representatives, Washington, D. C.

TESTIMONY OF MR. ALLERTON D. HITCH, TREASURER, HAGEMeyer TRADING CO., EXPORT AND IMPORT COMMISSION MERCHANTS, 17 BATTERY PLACE, NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give the stenographer your name.

Mr. HITCH. Allerton D. Hitch.

The CHAIRMAN. And your address and business.

Mr. HITCH. Yes, sir.

The CHAIRMAN. Give it so the committee can hear it.

Mr. HITCH. Allerton B. Hitch, Hagemeyer Trading Co., export and import commission merchants, 17 Battery Place, New York.

The CHAIRMAN. Are you an importing or exporting firm?

Mr. HITCH. Both.

The CHAIRMAN. Both importing and exporting. In what trades?

Mr. HITCH. Principally South America; largely Brazil. We also do a little to the East.

The CHAIRMAN. How far east?

Mr. HITCH. Why, China and the Dutch East Indies.

The CHAIRMAN. Are you engaged in the Australian trade?

Mr. HITCH. No.

The CHAIRMAN. What lines of commodities do you handle?

Mr. HITCH. Practically everything that they want from America, and import sugar, cocoa, cochineal, rubber, but not coffee; wool, but not coffee, except from Java. We export some coffee from Java.

The CHAIRMAN. The subpoena that was served on you, Mr. Hitch, directed you to produce certain contracts or agreements or arrangements between yourselves and any shipping lines. Have you any documents of that kind?

Mr. HITCH. We have only one contract with any steamship company, beyond our daily contracts for special lots of freight. We have only one regular contract; that is with the Argentine Line. We had

very little business with the Argentine, but we have a contract with the Houston Line, similar to the contract about which Mr. Douglas testified; that is the only contract we have.

The CHAIRMAN. Have you a copy of that contract with you?

Mr. HITCH. I have.

Mr. HUMPHREY. May I ask where that line runs?

Mr. HITCH. To the Argentine—between New York and the Argentine?

Mr. HUMPHREY. What flag?

Mr. HITCH. The English flag.

The CHAIRMAN. Is that the copy of the agreement?

Mr. HITCH. Yes, sir.

The CHAIRMAN. Will you submit it to the stenographer and let him mark it as an exhibit?

The document here submitted by the witness was marked by the stenographer "No. 1, Hitch," and is as follows:

EXHIBIT No. 128.

Memorandum of freight contract made this 27th day of June, 1912, between R. P. Houston & Co., party of the first part, and Messrs Hagemeyer Trading Co., party of the second part, for their entire shipments from New York to Montevideo, La Plata, Buenos Aires, Rosario, and Bahai Blanca from date to April 30, 1913, included.

Party of the first part agrees to provide tonnage for all shipments which party of the second part has for shipment, provided reasonable notice of intention to ship (say, 20 days) is given, at the following rates of freight:

	Cents.
1. Harvesters, headers, binders, header, binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction-engine gang plows).....	16
2. Cleaners, hay pressers, grain mills, grain planters, land rollers, pulverizers.....	18
3. Wheelbarrows, shovels, spades, and hay forks.....	20
Chairs, desks, and common furniture.....	17½
4. Windmill material.....	19
5. Agricultural engines and thrashers, including gas engines, traction and gang plows:	
Up to 3 tons.....	20
Over 3 tons.....	22
6. Binder twine, per bale.....	28
7. Machinery, up to 2 tons.....	20
8. Lubricating oil (until Dec. 31).....	15
9. Automobiles:	
Not exceeding 2 tons (until Dec. 31).....	15
Over 2 tons (until Dec. 31).....	18
10. Sewing machines (until Dec. 31).....	14
11. General cargo, not otherwise enumerated, current rates at time of shipment.	

All the above rates are to Montevideo and Buenos Aires and are per cubic foot or 56 pounds, at steamer's option, unless otherwise specified, and on pieces not over 2 tons' weight, unless otherwise specified, but it is understood and agreed that it is not permissible to separate parts of one machine or more of the same class; in other words, if part of a machine is taken at the measurement rate, the machine entire must be carried on this basis—the same with weight freight.

It is agreed that the rates of freight to Rosario and Bahia Blanca for all shipments, irrespective of quantity, by any steamer shall be 4 cents per cubic foot or 56 pounds over the Buenos Aires rates, whether sailing direct or to Buenos Aires first. The rates to La Plata shall be 3 cents per cubic foot or 56 pounds over the Buenos Aires rates.

The rate on binder twine to Rosario, Bahia Blanca, and La Plata shall be 6 cents per bale over the Buenos Aires rate.

Rates on goods not covered by above agreement weighing over 4,480 pounds are to be mutually agreed to between the parties hereto.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

All freights to be prepaid.

All shipments are subject to the terms and conditions of the Houston Line's River Plate bills of lading.

Kerosene, naphtha, lumber, rosin, and other rough or dangerous cargo to be subject to special arrangement.

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. Hagemeyer Trading Co., estimated to amount to about 2,000 tons from New York to the River Plate ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

It is further agreed that in case R. P. Houston & Co. reduce the rates of freight to any other shipper or shippers on any of the articles above mentioned during the period covered by this contract, then Messrs. Hagemeyer Trading Co. are to be accorded the benefit of all such reductions during the period that said rates are reduced.

R. P. HOUSTON & Co.,
Per W. E. HALM.
HAGEMEYER TRADING Co.
F. E. HAGEMEYER, *President*.

The CHAIRMAN. Did I understand you to say that is the only agreement you have with any company?

Mr. HITCH. That is the only agreement beyond single bookings. We make freight contracts, of course, for single or monthly bookings, of one or two months or a year, perhaps.

The CHAIRMAN. The Houston Line, I believe you say, is the line with which your contract is made?

Mr. HITCH. Yes.

The CHAIRMAN. And, as I understand you, the terms and conditions of that agreement are on all fours with the agreement mentioned by Mr. Douglas?

Mr. HITCH. Yes.

The CHAIRMAN. What lines are there that are in there? Tell the committee, now, what you may know of any conferences or pools or rings between the shipping lines engaged in the South American or the Argentine or Brazilian trades.

Mr. HITCH. With Brazil there is the Hamburg-South American, the Prince Line, the Lamport & Holt Line, which are in the conference lines; outside of that, there is the Lloyd Brasileiro. So far as that is concerned, we do not know definitely, but, so far as we understand, all three lines mentioned at first are in agreement as to rates, as to the number of steamers they run, and the Lloyd Brasileiro is entirely separate.

The CHAIRMAN. Rates that refer to passenger and freight as well?

Mr. HITCH. The Lamport & Holt are the only ones that take passengers. The other lines take freight alone. The Lamport & Holt only take first-class freight or freights that are in a hurry, such as fish and apples—perishable goods—and they get an extra rate for those.

The CHAIRMAN. Theirs is the faster line of steamers?

Mr. HITCH. Theirs is much the faster line; yes.

The CHAIRMAN. Have you any contract or agreement with these lines or any other lines by which either on the exports or imports you are allowed rebate?

Mr. HITCH. None whatever. There are no rebates that I know of on exports to Brazil. There are no rebates that I know of from Brazil except coffee, and that we have nothing to do with.

The CHAIRMAN. You do not receive any rebates?

Mr. HITCH. No.

The CHAIRMAN. In any trade?

Mr. HITCH. None whatever.

The CHAIRMAN. The Lloyd Brazilierio is, so far as you know, an independent line?

Mr. HITCH. Yes; a competitive line.

The CHAIRMAN. The contract to which you have referred binds you to patronize the Houston Line or any one of the conference lines?

Mr. HITCH. This contract I speak of is for the Argentine. There are nothing but conference lines to the Argentine at present. The Lloyd Brazilierio does not go to the Argentine.

The CHAIRMAN. Does not go there? The Norton & Son go to the Argentine?

Mr. HITCH. Yes.

The CHAIRMAN. Are they an independent line?

Mr. HITCH. I do not know whether they are or not. They are sometimes called an independent line, but the indications are they are not very independent.

The CHAIRMAN. Why do you think so?

Mr. HITCH. Their rates seems to be the same.

The CHAIRMAN. So that while they may claim to be independent their rates are the same as the conference line?

Mr. HITCH. So far as I know.

The CHAIRMAN. What other trades do you say you are engaged in?

Mr. HITCH. We import sundry articles from South America. We do a business with Chile and we import and ship to Java and a small quantity of things to China.

The CHAIRMAN. Do you to any extent employed what is commonly called "tramp steamers"?

Mr. HITCH. If by "tramp steamers" you mean the chartered or slow boat under regular lines——

The CHAIRMAN. I mean independent tramp steamers.

Mr. HITCH. There are not any, that I know of.

The CHAIRMAN. Not any?

Mr. HITCH. Not in our trade.

The CHAIRMAN. It has been said by some that the tramp steamer was the solution of this whole question; that they insured competition in the carrying trade on the sea. Are they a factor at all?

Mr. HITCH. Not in the Brazil trade, which I know most of.

The CHAIRMAN. Are they in the trade to England?

Mr. HITCH. We do not do any trade with England.

The CHAIRMAN. Take it in all the other trades in which you are engaged. I believe you say you have no written agreement?

Mr. HITCH. No.

The CHAIRMAN. But your dealing is entirely with lines that are known as the conference lines?

Mr. HITCH. Yes.

The CHAIRMAN. And their rates are identical. There is no competition between them?

Mr. HITCH. Are you speaking of the Argentine now?

The CHAIRMAN. I mean elsewhere where you trade.

Mr. HITCH. In Brazil there is no competition except with the Lloyd-Brazilierio.

The CHAIRMAN. Yes——

Mr. HITCH. In Argentine there is no competition at all.

The CHAIRMAN. Why don't——

Mr. HITCH. Excuse me.

The CHAIRMAN. Now, the Lloyd-Brazilierio is a line that is a Government line?

Mr. HITCH. Yes.

The CHAIRMAN. Organized for the purpose of breaking up this combination or trust. Why do you not patronize that line in shipments from New York to Brazil?

Mr. HITCH. We do.

The CHAIRMAN. You do?

Mr. HITCH. Very largely. There are certain things that we can not ship via that line, or at least a good many of our customers who will not allow us to ship by the Lloyd-Brazilierio, notwithstanding the lower freight rates, and the reason for that, as I understand it, is that there are—those steamers are poorer steamers, slower steamers, as a general thing. They go to a good many ports; and if we are shipping, for instance, to Rio Santos, and we ship by a steamer that is going to stop at one or two northern Brazil ports it makes a very long voyage; and, furthermore, the discharge of the Lloyd-Brazilierio steamers is slow as compared to the combined line steamers. The Lloyds, as you know, are a Government line, and their agents are very apt to be retired naval or army officers who know very little about the steamship business, and take very little interest apparently in quickening the discharge. The result is there is continual complaint about delay and want of interest on the part of the agents. We never—our greatest difficulty is that if there is a shortage of cargo, as frequently happens, it is as much as your life is worth to get any claim out of them at all. They send it back here to New York, and the New York agents say it will have to be referred to Rio, and they at Rio that it will have to come back to New York, and there we are, between "pillar and post," and do not get our claim settled.

The CHAIRMAN. Then, one reason why the Lloyd-Brazilierio Line is not a success is in view of the fact that its management is not up to date and in the hands of experienced men.

Mr. HITCH. Outside of their New York agents.

The CHAIRMAN. Yes.

Mr. HITCH. The New York agency has a businesslike office, and they attend to things properly, but when it comes into the South American agencies it is very unsatisfactory.

The CHAIRMAN. Do you have any trade with Japan and China?

Mr. HITCH. We have a few imports; that is all.

The CHAIRMAN. In which way?

Mr. HITCH. They come from China—wool and nuts.

The CHAIRMAN. Come through the Suez Canal?

Mr. HITCH. They come sometimes through the Suez Canal. We have a shipment now that is coming by way of Hamburg, but I believe via the Suez Canal the rates are very high.

The CHAIRMAN. Do you know what line it is that shipment of wool is coming via the Suez Canal?

Mr. HITCH. I believe the present shipment which is coming through the Suez Canal is wool; and some nuts are coming by way of Hamburg.

The CHAIRMAN. Do you remember what line?

Mr. HITCH. No; I do not know what line it is coming by.

The CHAIRMAN. You say there is no regular agreement?

Mr. HITCH. None that we know of; we have nothing to do with the freight. Of course they are simply our agents or correspondents out in China and they will ship via whatever line they think best. We know nothing about any rebate. We do not get it at any rate.

The CHAIRMAN. Could you find out for us?

Mr. HITCH. Why, I can write to China and ask them, but if there is a rebate they probably would not say anything about it. We do not know whether there is or not; we have no reason to think there is any rebate.

The CHAIRMAN. The reason I asked is we have a trade tariff from Japan and China—Hongkong—to New York, via Suez, which contains that rebate feature. I wanted to know if you are a participant in that rebate on shipments from China.

Mr. HITCH. We are not participant in it.

The CHAIRMAN. I do not mean you are a party to the agreement, but are you a beneficiary in the rebate?

Mr. HITCH. Our agent there may be or our correspondent there, at least. We buy the wool from him, or he consigns it to us, and we know nothing about any freight arrangements that he may make.

The CHAIRMAN. If there is any rebate you would not be the beneficiary of it?

Mr. HITCH. No; not in any way. Our agent would be the beneficiary of the rebate, because he would be able to reduce the cost of his wool and make us a lower offer.

The CHAIRMAN. Is the offer for the wool delivered here?

Mr. HITCH. Yes; delivered here.

The CHAIRMAN. Delivered here?

Mr. HITCH. Yes.

Mr. HUMPHREYS of Washington. Before we leave the South American matter, I want to ask him a question. In speaking about the difficulty in discharging cargo, do you know anything about the discrimination in regard to the charging freight cargo practiced in favor of the conference lines?

Mr. HITCH. No; I do not. I do know that the Lloyd-Brazilierio are given an advantage in the discharge of their cargo in the rate. I understand they pay less port dues or less wharfage, something of that sort.

Mr. HUMPHREY. I have seen it frequently charged that the conference lines farther south in South America beyond where this Brazilian line runs, that many of those ports do discriminate in favor of the conference lines, and the shippers, if they attempted to patronize outside ships or send a tramp vessel there that they found there obstructions in the way of being able to discharge their cargoes.

Mr. HITCH. I do not know anything about the tramp lines, but there are no lines south of Rio and Santos, in Brazil, that I know of except the Hamburg-South American. Their steamers are the only ones that go south to Pernambuco and Para Hiba.

Mr. HUMPHREY. I remember an instance where the manufacturers of doors, I think it was, on the Pacific coast investigated by sending some of their products to South America, and the man they sent to look into it reported that he found very great discrimination in the way of making this charge, and if they sent them there by a vessel other than the conference lines that they might get there on time, but they would not agree that they would be able to discharge their cargo in less than 30 days.

Mr. HITCH. On the east or west coast?

Mr. HUMPHREY. Either coast.

Mr. HITCH. We are speaking about the west coast just now. I was speaking about the west of Brazil. You mean on the Chile side?

Mr. HUMPHREY. No; I am speaking about the east coast of South America.

Mr. HITCH. The east coast?

Mr. HUMPHREY. Yes.

Mr. HITCH. I beg your pardon.

Mr. HUMPHREY. Argentine?

Mr. HITCH. Yes.

Mr. HUMPHREY. So. I wondered if you knew anything about the discriminations?

Mr. HITCH. No. I do not know anything about the discriminations. I do know that in the south of Brazil the lighters are mostly owned by the Hamburg-South American Line, and that may account for the fact.

Mr. HUMPHREY. I remember that incident, and the agent reporting that would be one very serious objection, among other things, to cause his firm not to undertake to send their products down there.

Mr. HITCH. They probably had to lighter everything?

Mr. HUMPHREY. Yes.

Mr. HITCH. And it was a question of the lighterage contract with the steamship company.

Mr. HARDY. In other words, that the lighterage supplied by the Hamburg company to the outside had to pay heavy due.

Mr. HITCH. The lighters would probably be all busy.

Mr. HUMPHREY. The business people at Buenos Aires—that was the place, as I recall—in making their contract and figuring on going into it had their attention called to that fact and warned that they would probably be greatly delayed in getting their cargo discharged even if their reached that point.

Mr. HITCH. I do not know anything about Buenos Aires; I do very little business there.

Mr. HUMPHREY. Do you do business in Chile?

Mr. HITCH. Yes, sir.

Mr. HARDY. What lines run from Chile to New York?

Mr. HITCH. To New York the South American Line, which is commonly said to be owned by the steel company; William R. Grace & Co.; and the Duvall—these lines all run by the straits.

Mr. HARDY. Well, do they all charge the same rates?

Mr. HITCH. Why, practically. I think their rates are all the same.

Mr. HARDY. Is it your understanding they work under any agreement?

Mr. HITCH. There seems to be a good deal of competition about getting the freight, but, so far as I have found, the rates are about the same.

Mr. HARDY. Just about the same competition as there is between the railroads running into the same point having the same rate of freight as to another point?

Mr. HITCH. Very much the same. There is also competition as to the ports. There are some ports that some of the lines will go into one port and other lines will not, and in that way there is competition as to that port.

Mr. HARDY. You mean that they divide the territory?

Mr. HITCH. Well, no; I do not mean so much that they divide it, but if one line can get enough freight to go into a little port like Conda, that line will then be able to take their freight for that port.

Mr. HARDY. Do they have any understanding as to this port being the province of one line and that port of another?

Mr. HITCH. No; I think not. I think they have a gentleman's agreement as to the rates, but beyond that I think there is very little agreement.

The CHAIRMAN. You do not think they divide up the territory, do you?

Mr. HITCH. No; I do not think so. It is a question of the depth of the ships, really.

The CHAIRMAN. Do they not divide the lines—each line has a different depth of ship, has it not?

Mr. HITCH. The other lines charter boats. Grace charters some boats and some of Grace's smaller boats can go in some of these ports in which some larger boats can not go.

The CHAIRMAN. Have you any rebate agreements, either going down or coming back?

Mr. HITCH. We have not. We do not expect any rebates.

The CHAIRMAN. I believe you said that the only rebates you knew of were on cottonseed oil?

Mr. HITCH. The only ones I know of. In addition to those three lines I mentioned there are other lines by way of the Isthmus—the United Fruit Line, the Royal Mail Line, and the Panama Steamship Line—and their rates are not the same.

The CHAIRMAN. What is the difference in those rates?

Mr. HITCH. There is a difference in those rates. For instance, the United Fruit Line will make a cheaper rate; on cottonseed oil, for instance, they are much cheaper, and some other line is cheaper on heavy stuff.

Mr. HUEBNER. Do you mean to say that the rates charged from New York to points on the west coast of South America via the Hamburg-American, the Panama Railroad, and the United Fruit Co. are not the same—that is to say, that the three lines differ?

Mr. HITCH. Yes, sir; we find the rates cheaper from time to time.

Mr. HUEBNER. Do those three lines use any printed tariffs?

Mr. HITCH. I do not know whether they use a tariff or not. We do not do very much business with them, because of the very bad handling across the Isthmus and down the west coast, but we have found quite a little competition in cottonseed oil, for instance.

Mr. HUEBNER. Do you know whether those three lines, operating to the west coast of South America, across the Isthmus, use the tariff published by the Panama Railroad?

Mr. HITCH. No; I do not know whether they do or not.

Mr. HUEBNER. Have you ever examined the amount of difference between the rates charged by the lines via the Isthmus, as compared with the lines going to the west coast via the Straits of Magellan?

Mr. HITCH. Yes; in some cases they are cheaper via the Isthmus; in cottonseed oil particularly they are likely to be cheaper via the Isthmus, but the other articles are generally a little more expensive. Of course, it is quicker via the Isthmus, as a general thing.

Mr. HARDY. How do you account for these differences between these companies? Are they not a part of the conference lines?

Mr. HITCH. I do not know, Congressman, why there should be any difference. I do not know that they are in the conference. We know that they are bothering us all the time to ship by them; their freight agents are in our office day after day trying to get freight, and they seem to be very keen for the freight.

Mr. HARDY. These are the same lines that are called the conference lines as to Brazil and Argentina, are they not?

Mr. HITCH. No; they are different lines. You see the Panama Line does not go to Brazil or to Argentina and the United Fruit Line does not go to Panama or Argentina.

Mr. HARDY. Is not that United Fruit Line a line belonging to a company that has its plantations and ships a great deal of its own supplies down there in Central America?

Mr. HITCH. Yes; it is the big fruit company, the Boston concern.

Mr. HARDY. And they handle their own products a great deal, do they not?

Mr. HITCH. Yes.

Mr. HARDY. Are they not really about the most independent concern, the most free from other connections, of any line you know of?

Mr. HITCH. I suppose they ought to be, having so much cargo of their own. I do not know whether they are or not.

Mr. HARDY. Do they give you cheaper rates than the other companies do?

Mr. HITCH. On some articles they do.

Mr. HARDY. How do you account for the fact that on some articles they have a cheaper rate and on some they have not. That is a peculiar condition, is it not?

Mr. HITCH. It depends on the facilities of the line and of the ship. For instance, we had a case not long ago when we had some heavy railroad material and there was only one line able to handle that at all; the material was too heavy for the davits. They did not have the power to raise it on the deck; did not have room for it on the deck.

Mr. HARDY. They had practically a one-sided arrangement as to that, had they not?

Mr. HITCH. Yes, sir.

Mr. HARDY. About this oil, you say one of the lines handles it cheaper than the other. Are they better prepared for handling oil?

Mr. HITCH. No; I have often wondered why they will take cottonseed oil at lower rates.

Mr. HARDY. What was it you said that some of the lines handled cheaper?

Mr. HITCH. Some handle heavy freight cheaper.

Mr. HARDY. If you average up the whole thing, are they not about on a par with each other?

Mr. HITCH. Pretty much the same, as a general thing.

Mr. HARDY. Still, they are competing for the business and worrying your office for freight?

Mr. HITCH. Yes; and worrying our customers out there to instruct us to ship by their line.

Mr. HARDY. That looks like competition, does it not?

Mr. HITCH. Yes.

Mr. HUEBNER. The great majority of the rates, however, charged by the lines going to the west coast via the Isthmus are the same, are they not?

Mr. HITCH. They are more or less the same; yes. There are a few articles where we find quite a marked difference.

Mr. HUEBNER. What are those companies?

Mr. HITCH. The Royal Mail, the Panama Line, and the United Fruit Line.

Mr. HUEBNER. The Royal Mail is a company that bought out the Lamport & Holt Co., are they not?

Mr. HITCH. Yes.

Mr. HUEBNER. Going to Brazil?

Mr. HITCH. Yes; and the Pacific Mail going to Argentine and the west coast.

Mr. HUEBNER. That is almost a monopoly, enough to attract serious attention, those practically different rates to some ports. Is there any considerable amount of freight going that way?

Mr. HITCH. Via the Isthmus?

Mr. HUEBNER. Yes.

Mr. HITCH. Yes; light freight that they are in a good deal of a hurry for will go very likely via the Isthmus, but heavy freight, it is very dangerous to send it that way. We had an experience here some time ago. We sent a lot of freight cars to the Isthmus, and the insurance agent telegraphed from the west coast of Panama, from the west end of Panama, to cancel the insurance, because they were loading the freight cars on the outside of the steamer, hanging them down on the side of the steamer.

Mr. HUEBNER. And the heavy freight goes around by the Horn, does it not?

Mr. HITCH. Yes; and the service down the coast is very poor.

Mr. HUEBNER. And that freight is one freight on which the rate is the same with all the companies, is it not?

Mr. HITCH. Yes, sir.

Mr. HUEBNER. It is just a little sporadic freight that goes via the Isthmus that you get these better terms on, is it not?

Mr. HITCH. Yes.

Mr. HUEBNER. Do the same companies go via the Straits of Magellan around the entire South America—those same companies that go via the Isthmus?

Mr. HITCH. No, sir; not the same. It is only Grace, West, Duval Line, and the South American Steamship Co. that go around the Straits.

The CHAIRMAN. Of course, Mr. Hitch, we have got reports with their tariffs from these four lines that operate to the west coast of South America via the Isthmus.

Mr. HITCH. Yes.

The CHAIRMAN. And they show this condition to exist. As regards the four lines operating from New York to the west coast, the freight classifications and the rates to approximately 50 South American ports are identical in every particular. The tariff went into effect June 20, 1912. The tariffs, although used by each of the four lines, are identical in practically every item, with the exception of the title-page.

Mr. HITCH. We have never seen those tariffs; and, so far as Chile is concerned, as I have just said, the principal marked difference is on cottonseed oil, the only thing that we have found a difference on.

The CHAIRMAN. Is that carried by one of the conference lines?

Mr. HITCH. By one of the fruit lines.

The CHAIRMAN. They also say, in their report to us, that they have an understanding with these other companies.

Mr. HITCH. I see.

The CHAIRMAN. So they will not cut the rates without notice to the others.

Mr. HITCH. There may be some arrangement by which——

Mr. HUMPHREY (interposing). I was going to ask if there might not be, for some particular reason, an agreement under which they changed these rates with reference to cottonseed oil. Do you know of any particular reason?

Mr. HITCH. No; I asked the freight man not very long ago how it was that he was higher on some rates than the other lines via Panama and so much lower on cottonseed oil, and he said he could not explain it.

Mr. HUMPHREY. I imagine it is by agreement, but I wondered myself why it was so.

Mr. HITCH. Of course, the principal importance to the exporter is regular service and steady rates.

The CHAIRMAN. How about the reasonableness of the rates?

Mr. HITCH. I think the rates are pretty high just at present. They have been raised very materially. On some articles they have been raised 300 per cent in the last six or seven months.

Mr. HUMPHREY. Did they give any reason for that?

Mr. HITCH. The reason given for the raising of the rates 3 cents per foot, or \$1.20 a ton, was because of the delay on account of the stevedores' strike. The reason given for the other raises of late was the extra cost of charter at the present time. Steamship charters are very high at present, but they have got the rates to such a place now that there must be an enormous profit.

Mr. HUMPHREY. These companies, as a rule, whenever they are delayed on account of a strike, immediately increase rates to cover the loss, do they not?

Mr. HITCH. They usually get back at the exporters.

Mr. HUMPHREY. They did the same thing between here and Europe when they had that recent strike over in London, did they not?

Mr. HITCH. We do not ship anything to London, so I can not say.

Mr. HUMPHREY. I thought perhaps you might know.

Mr. HITCH. I believe that was the case.

Mr. HUMPHREY. In other words, they make the dear public pay for any loss they may sustain by reason of the strike?

Mr. HITCH. They are very apt to do so.

Mr. HARDY. Have you stated what the main commodities of shipment by you are?

Mr. HITCH. I suppose the main things we ship are boiler material, hardware, flour, oils, gasoline, and things of that sort. There is one point I should like to mention. Some one testified to the 30 per cent preferential on flour from this country, and stated that that preferential was eaten up by extra rate charged on freight, so that Europe supplied the flour to South America, but that is a mistake. We get the full benefit of the preferentials, because there is no flour coming from Europe, with the exception of a very little flour from Trieste. This country supplies 150,000 to 200,000 barrels of flour a year to Brazil.

Mr. HUMPHREY. What do you know about the rates being immediately increased when that preferential was given?

Mr. HITCH. The rates were not immediately increased on flour. The rates have been pretty much the same for a long time. They were increased about a month ago 2½ cents a barrel, but I think the rates on flour are quite reasonable. They are 70 to 75 cents a barrel. I remember very well when we had an American line to Brazil, and at that time we paid \$1.25 a barrel.

Mr. HUMPHREY. My recollection is the report of the conference was that when that reference was given to us the only result was to increase the rate.

Mr. HITCH. The cheapest rate I have ever known on flour was after the 20 per cent preferential was given and before the 30 per cent preferential was given, about a year ago, when the rate on flour was the cheapest it has ever been.

Mr. HUMPHREY. If all the flour came from here, what was the purpose of giving the preferential?

Mr. HITCH. The great competition on flour is with the Argentines and with the Rio Janeiro flour mills, and with the native flour mills there. You see Argentine supplies, I suppose, 60 or 70 per cent of the flour that is used in Brazil; that is, Argentina and Rio Janeiro mills. We only get 30 per cent, more or less.

Mr. HUMPHREY. This increase, then, in the freight rate was for the benefit of Argentine, instead of Europe, was it not?

Mr. HITCH. I think the increase of the freight rate was because of the advance in the cost of ships here. The combined lines had the freight rate down as low as 50 cents a barrel within a year ago.

Mr. HARDY. What is it now?

Mr. HITCH. To-day it is 75 cents, I believe.

Mr. HARDY. Do you know what the duty on flour is there?

Mr. HITCH. The duty is 70 cents a barrel. It is \$1 a barrel to other countries and 70 cents a barrel to the United States.

Mr. HARDY. So they raised over the 50 cents, 25 cents a barrel higher, while we get 30 cents less duty than the other countries?

Mr. HITCH. They have raised here, but the rates from Argentine to Brazil have also been raised.

Mr. HUMPHREY. Then they just simply took advantage of it both ways?

Mr. HITCH. Well, I do not think the 30 per cent preferential or the 20 per cent preferential had anything to do with the raise in the rate on flour, because it was not only flour that was raised.

Mr. HUMPHREY. When was it you paid the 75 cents?

Mr. HITCH. We are paying 75 cents a barrel now.

Mr. HUMPHREY. You say you think that is a cheap rate?

Mr. HITCH. Yes; a fairly reasonable rate.

Mr. HUMPHREY. Unless I am much mistaken, the rate at one time from Minneapolis to Hongkong was 70 cents a barrel, and they carried it there some 1,500 miles by rail before they put it on the vessel.

Mr. HITCH. Well, we are paying from 35 to 50 cents a foot for general cargo to Brazil, and 75 cents is a little over 6 cents a foot. You see, that is not a very high rate. I should say it is a little over 12 cents a foot.

Mr. HUMPHREY. I do not know how you figure it, but I remember seeing a statement made by James J. Hill that he was carrying a barrel of flour from Minneapolis to Hongkong for 70 cents.

Mr. HITCH. That was an extremely low rate, and there must have been some competition on the Pacific coast.

Mr. HUMPHREY. If that is true, I do not think you are getting a very cheap rate.

Mr. HITCH. I do not think you can compare west-coast freight and freight on this coast.

Mr. HUMPHREY. Why not?

Mr. HITCH. Because there may be competition on that coast and not here.

The CHAIRMAN. Can you suggest any information to that effect?

Mr. HITCH. No, sir.

Mr. HUMPHREY. There might have been at the time this occurred; there is not any now.

Mr. HITCH. I compare the rates from the time we had competition.

Mr. HUMPHREY. Some years ago, when this statement was made, was it not?

Mr. HITCH. When we had an American line the freight was \$1.25.

Mr. HUMPHREY. At that time we had several American ships running from Puget Sound to the Orient, had we not?

Mr. HARDY. How long ago since we had that American line?

Mr. HITCH. I think that line failed in about 1888, if I remember right.

Mr. HARDY. Was it a subsidized line?

Mr. HITCH. Yes, sir; it was entirely subsidized.

Mr. HARDY. Do you know how much subsidy they got?

Mr. HITCH. No, I do not know; I do not recollect now.

The CHAIRMAN. What company was that?

Mr. HITCH. The United States & Brazil Mail Steamship Co.

Mr. HARDY. Was it subsidized by both Governments or by just one?

Mr. HITCH. By both Governments.

Mr. HARDY. Under the American flag?

Mr. HITCH. It failed because of extravagant management and the naturally heavy expense of running American vessels under our present laws.

Mr. HARDY. You do not say anything about the imports on American vessels.

Mr. HITCH. I include that, of course; that is part of the American laws.

Mr. HARDY. So your experience is that the American line is about the hardest customer you have to run against in ports?

Mr. HITCH. I do not see how an American line can be run and give a fair return for the investment unless they are very heavily subsidized, and unless they can get their ships in without any tariff on them; in other words, buy their ships at the same cost the foreigner buys his ships—be able to run them as cheaply, and also have a heavy subsidy; but, personally, I do not believe in the subsidy.

Mr. HARDY. You think, in order to have an American line run, you would have to have the ships and the help both cheap, and they would have to be subsidized?

Mr. HITCH. I think to run an American line they would have to be run under the same arrangement the foreign line is. That is, you are going to compete with a subsidized line, and you have got to have a subsidized line yourself; you have got to have your ships built as cheaply as the foreign ships are built, and run as cheaply.

Mr. HARDY. As to the subsidy, what per cent of the English tonnage is subsidized?

The CHAIRMAN. We have accurate information on that.

Mr. HITCH. I do not see any justice at all in the subsidy proposition. I do not see why the unsuccessful lawyer or the unsuccessful business man or the unsuccessful export man should not be taken care of by the Government as well as the United States steamship lines.

Mr. HUMPHREY. You are, however, able to see the result very definitely, are you not?

Mr. HITCH. Yes; I think every unsuccessful man, if the Government would pay his debts, would get along very nicely.

Mr. HUMPHREY. Do you know any other business, outside of foreign shipping, which does not receive Government assistance?

Mr. HITCH. That does not?

Mr. HUMPHREY. Yes.

Mr. HITCH. I do not know anybody but the manufacturers and the steamship people who get that help.

Mr. HUMPHREY. What business are you in?

Mr. HITCH. Export business. We are not helped.

Mr. HUMPHREY. You do not think you get any assistance?

Mr. HITCH. No; I do not. On the other hand, we have the foreign exporters being looked after all the time by the Government. They have their men down in the foreign countries looking after every possible way of improving their export business. We have to fight against a lot of misinformation that generally comes from our consuls.

The CHAIRMAN. I believe our Consular Service is improving.

Mr. HITCH. Very much so, sir.

The CHAIRMAN. Instead of sending discarded politicians down there they are now trying to send experts.

Mr. HITCH. I think I have buried four American consuls because they died from attacks of delirium tremens in Pernambuco, but I am glad to say I think we have a better class there now.

The CHAIRMAN. I think that service is improving very much unquestionably, and the reports that we have received from our foreign consuls prove it.

Mr. HITCH. We have a very much better class. There is no doubt about that. But the American manufacturers are very much responsible for the want of good results in the export trade, because they want to supply the foreigner with the goods they want to sell and not the goods the foreigner wants to buy. We have had that come up frequently on cement. There was a large amount of cement which we could have sold if the American manufacturer would have put it up in half barrels as the German manufacturer did, and he would not. There is a large amount of dry goods which could be sold in South America except for the fact that the Manchester merchant goes down there and studies the tariff. He sees the minimum amount that can go in under the tariff. That is, the Manchester manufacturer makes his goods to weigh just that weight, and the American man says, "I can not change my arrangements; I must do the thing the same as I always do it."

The CHAIRMAN. I think our consular reports show that the packing is poor.

Mr. HITCH. Very poor.

The CHAIRMAN. That we do not study the tastes of the people, and hence we do not move to meet their conditions, and these other conditions which you have mentioned all militate against the extension of our foreign trade.

Mr. HITCH. There is no doubt about that.

Mr. HARDY. Is not that condition called attention to by the report of the Pan-American conference?

Mr. HITCH. Yes, sir. They have given their attention to it a number of times. They published a book not long ago in which they show the figures side by side of the German packing and the American packing. The American goods were sticking out of the cases.

Mr. HARDY. They also studied what degree of effort was put forth by the Germans to put their goods on the market, did they not?

Mr. HITCH. Not only the German manufacturers and exporters, but the German officials are helping along all the time down there.

Mr. HARDY. Your idea is that this Government has done very little in the way of exploiting its wares by official efforts?

Mr. HITCH. Practically nothing, while the German and the English Governments have mercantile agents working all the time to assist the exporter and manufacturer.

Mr. HARDY. That would not be a very expensive operation for the Government to take some interest along that line?

Mr. HITCH. No, sir; not at all expensive—much less expensive than a subsidy.

Mr. HUMPHREY. I should think that the manufacturer would wake up to that.

Mr. HITCH. He does not seem to have awakened to that as yet. There are a few manufacturers who make their things the way the foreigner wants them, but the trouble is that our domestic trade here is so good that he does not want to bother with the export trade until the domestic gets poor. Then there is a sudden rush to do the export business, and he will sell his goods at any old price to get

that export business. The minute he gets it then business begins good here and he does not want it.

The CHAIRMAN. In other words, this home trade he has without effort?

Mr. HITCH. Yes, sir.

The CHAIRMAN. And the foreign trade he does not like to put the effort in to get it?

Mr. HITCH. No, sir.

Mr. HUMPHREY. In the last analysis it does not pay him because he has a better market at home?

Mr. HITCH. He has when the boom trade is on, but when trade is poor here he has not got a better market at home.

Mr. THAYER. The Government gets the market for them here, but not abroad?

Mr. HITCH. Yes, sir; by the operation of the tariff.

The CHAIRMAN. Has there been any marked increase in the rates to Chile and Java?

Mr. HITCH. I do not know whether or not there has been much of any increase to Java. We ship very little to Java. But to Chile there has been a decided increase. We were notified that all the lines would increase their rates, I think it was the 1st of July, and they did.

The CHAIRMAN. About what per cent of increase?

Mr. HITCH. I think it was 4 or 5 cents a foot.

The CHAIRMAN. If I remember, it was from about 22 cents a foot up to 30 cents.

Mr. HUMPHREY. What does that amount to on the ton?

Mr. HITCH. Forty feet to the ton—\$26—would be \$10.40.

The CHAIRMAN. Is that increase in rates uniform on all the lines?

Mr. HITCH. All around the straits.

The CHAIRMAN. Then, so far as the trade on the high seas is concerned, there is not any open, active competition anywhere in any trade?

Mr. HITCH. Practically not, except that if you have a considerable quantity of cargo to go forward at any one time you can very frequently get a lower rate, or if their ships are going rather empty just at a certain time sometimes you can get one specific contract with them at a lower rate.

The CHAIRMAN. That is, one of the conference lines?

Mr. HITCH. Yes; but it is——

The CHAIRMAN. Do you know whether they have any pooling arrangements between them as to a division?

Mr. HITCH. My impression is that the only arrangement they have is a fixed rate or a fixed number of steamers for each line, and then it depends upon the cleverness of the agent as to who makes the best result out of that.

The CHAIRMAN. They do not pool their earnings?

Mr. HITCH. I do not believe they do.

Mr. HUMPHREY. What do you import from Java?

Mr. HITCH. Coffee, cubebs, and pepper.

Mr. HUMPHREY. Is there a great amount of coffee brought from there?

Mr. HITCH. Not very much.

Mr. HUMPHREY. I ask that question because I have heard it stated that there is none brought here.

Mr. HITCH. There is very little. I heard of one concern which brought 500 bags of Java, and they called it a six months' supply.

Mr. HUMPHREY. I have heard it stated that there was little Java and Mocha coffee in this country. I have been wondering whether that was true or not. We have been buying it by the ton all these years, but I suppose it probably came from Brazil.

Mr. HITCH. Most of it.

Mr. HUMPHREY. I presumed that under our new pure-food law they would have to quit that.

Mr. HITCH. If you bring in any coffee from Java the buyers insist upon a consular affidavit that that is Java coffee from the Isle of Java.

Mr. HUMPHREY. I remember one of my dealers very nearly getting into jail for selling some coffee as Java coffee.

The CHAIRMAN. Do you approve of the practice of giving special rates?

Mr. HITCH. I think it is much better for the exporters generally to have the rates stationary, and it is much easier to do business if the rates are all the same. If you get a cheap rate one day your competitor will probably get a cheaper rate the next day. What we want are steady rates and steady sailings, sailings that we can depend upon.

The CHAIRMAN. And do you think that the conditions demand some sort of remedy?

Mr. HITCH. Yes, sir; I do.

The CHAIRMAN. Have you anything to state to the committee in that regard?

Mr. HITCH. I do not know how it can be settled unless the lines can be brought under some control through a commission in this country. If the lines coming here are opening their own offices, I should think that if they could be supervised the same as the railroads are, in the matter of rates, and so forth, there might be some improvement in the rates.

The CHAIRMAN. You think that rebates should be prohibited absolutely?

Mr. HITCH. Yes, sir; I do.

The CHAIRMAN. Without any discrimination between shippers; that is, that they should all be treated alike?

Mr. HITCH. I do not believe in discrimination. I think they should all be treated alike, although I do not think that the man who ships occasionally a few odds and ends should expect to get quite as good treatment or service as the man who ships an enormous quantity.

The CHAIRMAN. But should that be the subject of private, secret negotiations between the parties?

Mr. HITCH. No; I do not think so.

The CHAIRMAN. But should be provided for under proper Governmental regulation?

Mr. HITCH. Exactly. I think there should be a tariff that should not be deviated from.

The CHAIRMAN. In other words, they should publish their tariffs?

Mr. HITCH. Yes, sir.

The CHAIRMAN. And file them?

Mr. HITCH. Yes. I think a man that ships a very large quantity of cargo should have the same special arrangements that a man who ships a carload lot of freight on the railroad has. If you ship by carload you get a special rate. If you ship one barrel of stuff you do not get the carload rate.

The CHAIRMAN. In other words, so far as the conditions make the law apply, you think the law to regulate traffic on the ocean should be much like that controlling the railroads?

Mr. HITCH. More or less; yes, sir.

The CHAIRMAN. In fact, under existing conditions this notion that the ocean is free is a fallacy?

Mr. HITCH. It is completely under control.

The CHAIRMAN. And the arrangements, pools, and combines are just as tight on the sea as on land?

Mr. HITCH. They could not be any tighter, I think, than they are at present on the sea. The only way you can get away from it is if you have enough cargo to charter steamers yourself, and that can only be done when the charter rates are low.

The CHAIRMAN. What relation does what we ordinarily call the tramp steamer bear to this situation? Do you get any relief from that source?

Mr. HITCH. Why, yes; at times. There is never a tramp steamer on the berth for South America at all. You can charter a tramp steamer yourself, and then sometimes you get relief.

The CHAIRMAN. You take cement, the exporters of cement, they would ship in shiploads, would they not—carloads?

Mr. HITCH. There were a number of cargoes of cement shipped out in the last year to South America.

The CHAIRMAN. In tramp steamers?

Mr. HITCH. In tramp steamers, but chartered steamers, a steamer that the shipper himself has chartered.

Mr. HUMPHREY. Are they compelled to return in ballast?

Mr. HITCH. No; I imagine they are only chartered for the voyage down. I know if I was chartering I should simply charter it for delivery at the River Plate.

Mr. HUMPHREY. There would be little probability at least of getting a cargo of coffee there?

Mr. HITCH. There would be no chance at all.

Mr. HUMPHREY. It is a fact that one-third or more of the vessels that travel from South America to this country come in ballast?

Mr. HITCH. I do not know how many.

Mr. HUMPHREY. I saw a statement of it. My recollection is that it is more than one-third. My recollection is that it is something more than one-half.

Mr. HITCH. Of the steamers that come from South America here, come in ballast?

Mr. HUMPHREY. Yes.

Mr. HITCH. I do not see how it can be that way.

Mr. HUMPHREY. Just because of the thing that you call the chartered steamer, which goes down with a cargo from here, for some reason, or comes from Europe with a cargo, and wants to come on

up here, and this conference simply shuts down on that. The only thing is to come in ballast, is it not?

Mr. HITCH. Yes; but most of the steamers that come here from South America are steamers belonging to the conference or the Lloyd Brasileiro lines.

Mr. HUMPHREY. Those do not come back in ballast.

Mr. HITCH. The boats that go back out of there are boats that have been chartered for cement or lumber, or something of that sort, and they generally go back from the La Plata to England and come back on the triangle.

Mr. HUMPHREY. I was amazed to find out that over half of them that come to this country from South America come in ballast, outside of the conference lines.

Mr. HITCH. The rates at which you can charter a tramp steamer depend very largely upon the condition of freight from the Argentine to Europe. If there is a good freight for wheat from Argentina to Europe you can charter much cheaper from here to Brazil than if the rate of freight is lower.

• Mr. HUMPHREY. And then you go the other way.

Mr. HITCH. They would redeliver to the owner, and he charters it to go to Europe.

TESTIMONY OF MR. JOHN C. SEAGER.

The witness was duly sworn by the chairman.

The CHAIRMAN. I wish to ask you a few questions, Mr. Seager, and I will ask you to be as brief as you can in reply. I will ask you now to give your relation to the steamship business, and how long you have been engaged in it.

Mr. SEAGER. I have been a member of the produce exchange for the last 45 years, and I have been in the steamship business, active, for fully 40 years. During that time I have run steamers, I think, in most directions. I have run them in conference for the New York Central owners and have fought my way there. I also fought the Hamburg Line for the New York Central. I fought the North German Lloyd for the New York Central. I ran steamers myself on lines to Belfast, Rotterdam, Havre, and Marseille. And in 1892 the Prince line, or Mr. Knott, came to me, and I took up the agency when they were in their infancy, and I ran them first in the Jamaica and Venezuela trade. Then we fought with this American line that you were referring to a short time ago. They stopped doing business about, I think it was, in 1895 or 1896—in that neighborhood—and I started the Prince Line in the River Plata trade when there were no syndicate or rebates, or anything of the kind. I also put the Prince Line in the Brazil trade. I put the Prince Line in the South and East African trade, and I also put the Prince Line in the China, Japan, and Philippine trade. After I completed that there was a suit started here against the South and East African trade, which has been footballed up. It has been up before even the court of appeals, but the court of appeals forced it down, and still it has been tried. That was on account of the deferred rebates.

The CHAIRMAN. You mean a suit by the Government?

Mr. SEAGER. No; a suit started by the house of C. Thomsen & Co. It is a sort of "cause celebre," as the Frenchman says, or something

interesting, and there has been no decision on it yet. I think there may be a change in it when the unreasonableness is knocked out of the Sherman Act. Then I wanted to state this, that I was unfortunately brought up before District Attorney Burnett.

The CHAIRMAN. In the city of New York?

Mr. SEAGER. In the city of New York, and with the attorneys of the different companies who were present I was informed by the gentleman that unless the Prince Line discontinued that business I, as agent, would get into trouble, and that was the commencement of my trouble for the Prince Line.

Mr. HUMPHREY. When was that?

Mr. SEAGER. That was in 1906, the commencement of it. Since then I found that I was not treated properly.

The CHAIRMAN. Right there, as I understand you, you were called before the grand jury in New York?

Mr. SEAGER. I was, sir.

The CHAIRMAN. At the instance of the United States district attorney?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. He at the time was investigating conditions in the shipping trade?

Mr. SEAGER. In the shipping trade.

The CHAIRMAN. And the Prince Line, of which you were agent, was one of the parties charged with being in the combine?

Mr. SEAGER. I was not brought up before the grand jury. I was brought up before the district attorney.

The CHAIRMAN. Before him?

Mr. SEAGER. I was brought up before the district attorney.

The CHAIRMAN. Was the Prince Line at that time engaged in a ring or pool or combine with other lines?

Mr. SEAGER. It was.

The CHAIRMAN. If so, what ones?

Mr. SEAGER. In the Brazil trade with the Sloman Line, which afterwards became the Sudamerikanische. And later the Hamburg-American and Sudamerikanische and the Lamport & Holt Lines—those were the three lines—and the Prince, the line you have been referring to here for the last two days—

The CHAIRMAN. The same ones that the statements and evidence here tend to show are still in that combine?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. How long had that combination existed?

Mr. SEAGER. In the Brazil trade?

The CHAIRMAN. Yes.

Mr. SEAGER. Since 1895 or 1896.

The CHAIRMAN. Now, state briefly to the committee the substance of the working agreement between those lines.

Mr. SEAGER. From the start?

The CHAIRMAN. No; not as it was modified from time to time, but generally what was the agreement?

Mr. SEAGER. It was a rebate business, a deferred rebate business, and pooling?

The CHAIRMAN. Pooling, to what extent?

Mr. SEAGER. Pooling of freight and pooling of the commissions of the agents.

Mr. HUMPHREY. Did you pool your earnings?

Mr. SEAGER. Yes, sir; we pooled the earnings. The owners obliged us to pool our earnings.

Mr. HUMPHREY. Did you have any agreement in regard to what action you would take toward competitors if any independent line came up?

Mr. SEAGER. Yes, sir; we occasionally got instructions to put on a fighting boat.

Mr. HUMPHREY. What do you mean by a fighting boat?

Mr. SEAGER. Some boat, a steamer placed on the berth to compete against another man who was opposing us and to take freight so low that we put him out of business.

Mr. HUMPHREY. Then suppose you sustained a loss, was that divided up between the different lines in proportion?

Mr. SEAGER. Yes, sir; the owners used to divide that among themselves according to the percentage they had in the pool.

Mr. HUMPHREY. Did you ever have a competitor so strong that you were not able to drive him out of business?

Mr. SEAGER. Not in Brazil until I gave up the Prince Line. I gave up the Prince Line myself and took up and started the Lloyd Brasileiro.

Mr. HUMPHREY. Then I understand you had an arrangement of rebates on rates, on earnings, on the number of ships?

Mr. SEAGER. Yes, sir.

Mr. HUMPHREY. And then you had an agreement as to what you would do in case your competitors would all join in attempting to destroy it?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. Did you have any understanding or agreement with the Norton Line that the conference lines would engage in the trade on the west coast of South America?

Mr. SEAGER. There were two Norton Lines—Thomas Norton & Sons were established in the Brazil trade; Norton & Son were the originators of the River Plata trade. Then it developed into a steamship line. You are confusing the two, gentlemen. It developed into a steamship line for Argentina between Norton and Bucknell, of London. Norton had in our syndicate at that time a privilege, if I remember correctly, of calling once a month at the coffee ports on his way back. I may say that in my time I do not think he took advantage of that more than once before he started, when he discharged his cargoes in Argentina, to load for Brazil, and then Cuba, and bring up jugged beef. There is quite a large trade from Argentina to Cuba, Porto Rico, and all those West Indian islands. We used to bring that from Argentina up here and then reship it by the Ward Line. We preferred their taking those goods down to Cuba direct and so not interfere with our coffee trade.

Mr. HUMPHREY. All these conditions existed, as I understand, with regard to the lines between here and South America?

Mr. SEAGER. Yes.

The CHAIRMAN. Was there any agreement between the conference lines and the Norton Line that the Amazon region trade was to be left to the Norton Line?

Mr. SEAGER. The Amazon? I do not remember of the Norton's ever being in the Amazon.

The CHAIRMAN. I asked you if there was any—at Parral?

Mr. SEAGER. Norton had nothing to do with Parral.

The CHAIRMAN. Where did those steamers go?

Mr. SEAGER. Norton & Son used to load from here to the River Plate, to Montevideo, Buenos Aires, and then return, sometimes touching at Rial, direct to Cuba.

The CHAIRMAN. Was there any arrangement between your lines and the Booth Line; and if so, what was it?

Mr. SEAGER. Yes, sir; there was a gentleman's agreement that from Pernambuco to the Amazon that was supposed to be Booth's ground. The Lamport & Holt, the Prince, and the Hamburg-American had an arrangement that the coastwise trade between Pernambuco and south Brazil was their ground. Then, there was the ground from there down in the Argentine. There were three different grounds. "You must not play in my yard, and I won't play in yours. If not, I will bring my family down and club you; that is all."

The CHAIRMAN. When did that first take shape?

Mr. SEAGER. That took shape when I first went into the trade, when I put the Prince Line into Brazil. That was Mr. Cook's arrangement.

The CHAIRMAN. That was how long ago?

Mr. SEAGER. That is now 15 or 16 years ago.

The CHAIRMAN. How long did it continue?

Mr. SEAGER. It continued up to the time I withdrew from the line. I threw up the agency.

The CHAIRMAN. That was in 1906?

Mr. SEAGER. 1906; June; that is about the time. Then I took up the Lloyd-Brazileiro the fall of that year, and, judging from the sailings, I think it must be continued.

The CHAIRMAN. How about Argentina?

Mr. SEAGER. Argentina? I think that is in vogue even now. It was up to the time I left the Lloyd-Brazileiro. Mr. Slechta was here yesterday, but he has only been here 10 months.

The CHAIRMAN. When did you leave the Lloyd-Brazileiro?

Mr. SEAGER. I left the Lloyd-Brazileiro in 1909—June. I left under peculiar conditions——

The CHAIRMAN. An effort was being made to get that line into the conference?

Mr. SEAGER. Yes, sir. I will tell you how that happened. When I started the Lloyd-Brazileiro the assurance was given me in writing that they would never join the syndicate lines without first getting my permission. Well, I shall have to begin back at the beginning of the Lloyd-Brazileiro. The Lloyd-Brazileiro came along, and I was asked to take charge of it——

Mr. HUMPHREY. I would like, if you will, to have you explain to us where that line came from and who was back of it.

Mr. SEAGER. The way I got that line was this——

The CHAIRMAN. He wants to hear something about the history of the Lloyd-Brazileiro.

Mr. SEAGER. The Lloyd-Brazileiro I am talking about.

Mr. HUMPHREY. Whom it represents.

Mr. SEAGER. When I had it Wadka & Co. were the people who were managing it in Brazil, and Capt. Graça was his partner.

Mr. HUMPHREY. Did the Brazilian Government have anything to do with it?

Mr. SEAGER. It was given me that the Brazilian Government was at the back of it. Well, when I took hold of it I was told that they were going to have quite large boats and keep up a service. I found, after waiting several months, a little bit of a boat called the *Graz*. She was all fitted for passenger trade and only had room for about 71,000 cubic feet. She was a large burner and an unsuitable boat. Then the next boat that came along was called the *Sejipi*. She was almost a sister ship of the first one. When I saw those boats I complained. I said those boats would break the Bank of England running in that trade, especially with the contract they had with the Brazilian Government. Then their contract was to come here by way of Parral. The result was that they had only room for coffee, and they would bring only about 10,000 bags, merely to ballast their ships. When I saw that state of affairs I said, "This thing won't do. If I have to face these other gentlemen, these formidable lions, I have got to do something by having the boats in the trade the first and second half of the month to oblige the coffee trade and to oblige the merchants, because most of the orders that come from Europe or from other places read for shipment the first half or the second half."

So I was permitted to go into that trade and I chartered suitable boats that insured all right, and I chartered them on time charter. Then I got on my first boat. Knowing the syndicate rules, I told the captain to proceed to Santos for cargo, to Rio, to Bahia, and Pernambuco. I told them they would most likely come in ballast unless he could get some sugar at Pernambuco, but to show himself at the different ports.

The second boat came along and I thought I would begin to prepare something for him. So I went to Mr. Crossman's office and I said, "Now, Mr. Crossman, you are paying 35 cents with a string to it and another string to that, and you need to be in this trade. I got it through your influence. I offer to take two millions of bags at 20 cents a bag and give you what time you require to ship them, so you are not bound exactly to give any one boat any too much." "Well," he said, "do you really mean it?" I said, "I do."

Mr. Seilken happened to be in Hamburg and his partner cabled it over to him. I gave him several days refusal. The time came along, but there was nothing doing.

I complained to Mr. Crossman. I said to him, "Look here, you have the agency and the Brazilian people expect you to support them. Now, if you do not give them support and you dress yourself in my clothes, I shall have to go to the opposition." Mr. Crossman asked me a second time to give them the refusal. I gave them the refusal, and it was cabled. I gave them three or four days to reply. There came a reply, and there was nothing doing. I said, "Excuse me, Mr. Crossman, I am going to the opposition, and you can not blame me." He said, "I can not blame you." So I went into Arbuckle's office. He said, "You are a Seilken-Crossman man." I said, "No, sir; I am agent for the Lloyd-Brazileiro. Whatever I do with the other house dies with me unless it comes out in the open market." "Well," he said, "We shall have to think it over. Come back in a few days." I went back in a few days and I traded with them for 300,000 bags. Later I fixed another of 50,000 weight. I kept the line running.

Now, my trouble was, what these gentlemen have all been complaining of, rebates and the tying up of the coffee shippers. I thought I would watch. I watched because their end of the year is the 1st of July. After the 1st of July I noticed the people who had the least amount of rebates refused, and gradually worked my way into them. I got several people, and I was getting a fair share of the business with all those drawbacks.

Well, something came along, and I getting in there, and people were trying to ruin me overnight, but they did not do it. Mr. Graca was led to believe that they might be put in a syndicate—the Lloyd-Brazileiro—Mr. Graca left for England, and on the way up here by the Royal Mail, and he was led to believe something of the kind, as I shall show you shortly. But, before he arrived here, fortunately for me, Mr. Farrell, president now of the Steel Trust, who was then president of the Products Export Co., when I was soliciting cargo from him, he said, “Seager, your line is going into the conference. I just came from London, England.” I said, “That is news to me; they won’t do it as long as I am at the helm of that line.” “Well,” he said, “I got it from good authority. They were trying to see if they could do something with me, and you are going to be the agent, I understood.” I said, “That is new to me.” Two days after that, Capt. Graca makes his appearance. After about 48 hours, Mr. Boas, of the Hamburg-American Line, phoned me at the office. He said, “I understand Capt. Graca is here. Can I have an interview?” I said, “Name your hour.” “Three o’clock—so it shall be, and I will be with you.” So I stepped in and told Capt. Graca to be very careful in saying anything. I remember using the words “Hide behind the board of directors, and say anything of interest you would be glad to hear, and pass it over to your principals.” So we went. As soon as I got there, Mr. Boas said, “Well, Capt. Graca, why this opposition? Why can not we fix up matters? Seager and I always got on pleasantly in the syndicate.”

The CHAIRMAN. What is the name of the other party?

Mr. SEAGER. Gotheill is a member of it; Mr. Sloman, of the South American-Hamburg, they call it. “Why,” he said, “if you will allow me, I will send a cable to Ballin, agent of the Hamburg Line, in Hamburg, who will communicate with London, and in 48 hours we will have a reply.” Coming from the office, Capt. Graca said, “Seager, will we get that reply?” I said, “No. You will get a reply from Prince from Hamburg-American, possibly, but as for the Lamport and Holt they will see you in h—l and two sticks.” So it happened. Then, I said, “Have you ever read your contract between the Government and yourselves?” He said, “Why?” I said, “You could not enter the rebate business and join the syndicate lines and respect your Government contract with Brazil. You could not do that and keep your sailing dates.” I said, “The people who are to deceive you will make you go into a syndicate. They can not let you go. They can not offer you that, because there are three syndicates and they only belong to one.” He said, “Will you give me an option?” And I did. I have the letter here; I would like to produce it to show exactly the reasons I gave.

The CHAIRMAN. The substance of it was that you refused to consent that the Lloyd-Brazilero should go into the combination and yourself continue as agent?

Mr. SEAGER. Yes.

The CHAIRMAN. Why had you during this time, knowing the nature of the contracts existing between the members of these different lines, taken the advice of counsel as to whether or not those contracts were in violation of the Sherman antitrust law?

Mr. SEAGER. Sure.

The CHAIRMAN. From whom?

Mr. SEAGER. Dr. Lorenzo Ulle.

The CHAIRMAN. Who else?

Mr. SEAGER. There was the attorneys of the Prince Line, Converse & Kirlin, and also Mr. Burlingham's firm.

Mr. BURLINGHAM. Wing, Putnam & Burlingham was the name.

Mr. SEAGER. It used to be that firm; in fact, the gentlemen were present when I was up before the district attorney.

The CHAIRMAN. What advice did you receive, and from whom?

Mr. SEAGER. I received advice from Dr. Ulle.

The CHAIRMAN. To what effect?

Mr. SEAGER. And also from these gentlemen; that it was against the law to rebate; it was a restraint of trade, and that it was not legal.

The CHAIRMAN. Did you receive similar advice from anybody else that you have in mind that you have not mentioned?

Mr. SEAGER. No; those three. Oh, yes; wait a bit; I have forgotten. I went still further up, and I wrote to the other side and said, "Gentlemen, prepare bonds for me; I am a poor agent here; there has something got to be done for us agents; we are going to get into trouble. I recommend that you engage the best attorneys in admiralty and get an opinion of somebody higher up." It was so done and the opinion of Mr. Root obtained.

The CHAIRMAN. Senator Root?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. To what effect?

Mr. SEAGER. To what, sir?

The CHAIRMAN. To what effect was his advice?

Mr. SEAGER. It was against the law.

Mr. HUMPHREY. Did he then occupy any official position? Was he practicing?

Mr. SEAGER. He was practicing. Then I still went further. I consulted Mr. Beck.

The CHAIRMAN. He was a practicing attorney?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. And to what effect was his advice?

Mr. SEAGER. It was ditto, the rebates were illegal, and that we could not hold the people who got the rebates, because it was a sort of restraint of trade. When I got that, I assure you I felt anything but comfortable, and that was the time that I left the Prince Line. I did not want to be a squealer when I attacked the Prince Line, because they were not treating me right in the syndicate, and there you have the whole thing [referring to certain papers]. Then—

The CHAIRMAN. Now, you informed your principals of the advice, and they knew and had the advice of counsel that their practices were contrary to law?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. That was the condition when you left their employ?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. And can you state to the committee whether or not those conditions have continued since then, if you know?

Mr. SEAGER. Well—the able counsellors naturally will teach you how to steer clear of rocks, but judging by their *modus operandi*—

The CHAIRMAN. In other words, do you notice any difference in their methods now than then?

Mr. SEAGER. Not much.

Mr. HUMPHREY. Did this line go into the conference? That is what I am interested in.

Mr. SEAGER. Well, sir, I would like to give you my reasons. Here, gentlemen, is a letter that I will pass in as evidence.

The CHAIRMAN. I have read that letter, and he sets forth in a very able manner from many viewpoints why that line could not go into the conference, and I understand it did not.

The letter is as follows:

EXHIBIT 29.

APRIL 1, 1909.

DEAR CAPT. GRACA: After the conversations you and I had with Mr. Emil Boas, of the Hamburg-American Line, and the subsequent conversations I had with you regarding the proposition now being aired, that the Lloyd Brasileiro should join the so-called "Brazilian syndicate," although I have already thrashed out the whole question in all its details verbally, I still consider it will not be amiss to condense in this letter the various points which constitute the essence of my objections against such combination.

1. *The general question.*—The question might, in fact, be traced as far back as September–October, 1906, at the very starting of the American service of Lloyd Brasileiro, when the opposition, fearing the importance that Lloyd Brasileiro would acquire in the trade, being an independent line backed by the Federal Government, began making overtures of the same kind as those being now made, so much so that Mr. Hargreaves, sailing from London in October, 1906, for Rio de Janeiro, was carrying a specific proposal to Lloyd on the subject. After a great deal of writing and cabling on our part, showing our reasons for opposing the combination, Lloyd Brasileiro selected the right path, and, asserting itself as a national and absolutely independent line, requested us by cable to make formal announcement to the trade that it would have nothing to do with the syndicate. Besides, in a cablegram dated October 23, 1906, Lloyd Brasileiro informed me that if at any time they would again consider the idea of joining the syndicate they would first advise and consult with me.

It is just on the strength of the action Lloyd Brasileiro has developed since then, coupled with the contents of the cablegrams as above mentioned, that I feel myself entitled to oppose this combination now as strongly as I opposed it nearly three years ago, inasmuch as the reasons of my opposition are not only unchanged but have grown to be much more powerful now than they were at that time.

When I say "opposing" or "protesting" against Lloyd Brasileiro joining the Brazilian syndicate, please understand, dear Capt. Graca, that I do not for one minute pretend to place my position as an agent above or even as high as that of my principals; I simply mean to say that, inasmuch as you certainly expect that I should use my long experience to light the darkest corners of the proposed combination, I must live up to such expectation, and I would place myself in a very awkward position if, by adopting a new policy, you should later on find yourselves much worse off than you could ever suspect and then reproach me for not pointing out to you all the dangers of the new path. Whatever you will do as principals, I, as your agent, must naturally stand by, but I do not want to let the opportunity escape of putting myself on record against any mishap in the future.

I will therefore proceed to declare, one by one, my objections:

2. *The steamers.*—Lloyd Brasileiro has not put in line yet the fast boats which are supposed to become in due time the backbone of the American service. The only tonnage you now have which can be compared to steamers belonging to Prince Line or Hamburg American are the two *Ras* steamers, while *Acre* can hardly be matched against Lamport & Holt's passenger steamers, and *Goyaz* and *Sergipe* practically cut no figure at all. My statement referring to these two steamers must not be entirely new to you, as I pointed out such inconvenience to Dr. Buarque since you dispatched the *Gonyaz* in August, 1906. Therefore what importance are you going to assume with and what share do you expect to get from the syndicate since you have only two cargo steamers now to show and will be in such condition for some time to come? Once the agreement is made, how are you going to squeeze in for regular sailings the steamers which you expect to put in line in due course? And even granting for the sake of the argument that you can reserve room for your new steamers and the third *Ras*, what sailing schedule can you now offer or ask since you are still in the dark as regards the time when you will be able to put the future tonnage in line? Certainly, without a fixed schedule and tonnage since the beginning, you hardly can expect to have any weight in the framing of any combination.

3. *Sailing schedule.*—I must and will go further: Again granting for the sake of the argument that you should be able to secure a sailing schedule since the beginning of the new combination and squeeze in all your tonnage by and by, how do you expect to keep it running according to the plans of the new syndicate? It is evident that as you are a national line, disposing of a limited amount of tonnage all tied up in one single service, the requirements of the Government and the different ports, based on the subsidy agreement, will divert some of your tonnage from time to time, as it already happened, to other purposes than those contemplated in your agreement with the syndicate, which will inevitably drag you to clash against the other lines of the same syndicate. This fact, coupled with the still dominating irregularity of your service at Brazil ports, will often prevent your tonnage from being in New York or at Brazil coffee ports in accordance with the schedule. Your turn will then be taken by another steamer of another line, and your boat will be kept waiting her new turn, also disarranging the schedule for your own subsequent steamers for several turns. Just imagine any of your steamers, especially if she is a passenger one, being compelled to leave New York empty, or to be kept in the port of New York for weeks and weeks awaiting her turn, and then please figure out how much it will cost.

4. *Dull times.*—There are also dull times to reckon with. While we now practically fill nearly all of your steamers and secure dispatches first and second half each month on the south line, besides a monthly steamer for northern ports, leaving in some instances the opposition to dispatch their steamers nearly empty (as happened already last year), if you should join the syndicate, then the scarcity of cargo would be equally divided amongst and equally felt by all lines, and each line would be compelled to withdraw some of its tonnage waiting better times. While this would not cause a great inconvenience to other lines, as they can employ the surplus tonnage in other services temporarily, you would have to keep such steamers as *Ras* or even *Sao Paulo* and *Rio de Janeiro* idle for an indeterminate period, as you have no other service available for such class of steamers. To give you an example: When any steamer of the Prince Line or Hamburg American, etc., reaches New York and finds that sailings have been curtailed owing to lack of trade, such boat will some way or the other find employment for River Plate, South Africa, or even China and Japan, in which syndicates these lines are still working; they might even run to Europe if necessary; but in what service are you going to employ *Ras* steamers and your passenger boats once they are shut out from the Brazil trade?

5. *Booth Line and northern ports.*—It is also evident that both *Sergipe* and *Goyaz* and presumably *Acre* will not be employed in the south trade, as you must by your own agreement with the Brazilian Government give a New York service to the northern ports of Brazil. Merchants here as well as the general coffee trade in Brazil will not ship to and from south ports by steamers which call also at northern ports on a coastwise service, as I repeatedly pointed out to the managers of Lloyd Brasileiro since the starting of their American line, and therefore the only part of the New York trade those three steamers can carry is for North Brazil. But there is an agreement between the present syndicate and the Booth Line, by which Booth will not interfere in the South Brazil

trade, provided the syndicate does not interfere in the north, and you have certainly observed how this agreement has worked without one single exception since many years. Now, if you should enter the syndicate, this must happen: Either you must absolutely leave the northern ports, including Manaus, to the Booth Line, refusing to those ports the service to which they are entitled by your agreement with your Government; or the Booth Line, owing to breach of agreement on part of the syndicate by allowing one of its members to trade in the north, will on its part encroach upon the field of the syndicate in the south, waging against the newly combined lines that same war which you have carried on for nearly three years against the same syndicate.

6. *River Plate Syndicate.*—The same line of arguments can be applied to the River Plate Syndicate. In fact, the lines forming the present Brazilian syndicate are more or less directly allied with the River Plate lines. Your steamers go to River Plate and up the Parana and Paraguay Rivers as far up as the fluvial ports of Matto Grosso; and the Brazilian Syndicate by taking you into its bosom will enter into a protective agreement with the enemy of its friends interested in the River Plate trade as much as themselves. This will soon cause a reprisal on the part of some of the River Plate lines into the very field of the Brazilian Syndicate, and the war you now presume to avert by giving yourselves up, hands tied and all, to the Brazilian Syndicate, will soon break out in a way most detrimental both to your New York line and your Argentine service.

7. *The merchants.*—After all I have said, suppose you still want to take all chances in your hand and let yourselves be lured into new pastures by the most suave and friendly appeals from those wolves now coated as lambs which are the lines now constituting the syndicate. Then please peep into the future: Syndicates come and syndicates go, but the trade remains, and Lloyd Brasileiro, too, intends to remain. It might happen that the syndicate will dissolve itself sooner or later, either through the changed conditions of the trade, or through the fight with any other line which might spring up ready to take your present place, or when any of the confederate lines will find better reward in other trades and withdraw its tonnage, without any vote of thanks to Lloyd Brasileiro, which will then be left in the lurch to fight alone for its own salvation. It might also happen that in the end you will be successful enough to withdraw from the syndicate and live again an independent life. Whatever the cause might be, once the bonds are dissolved which keep the merchants tied to the syndicate, the struggle to secure the trade will begin anew. But all merchants, both those who have their heart on the side of their pocket and those who have been for Lloyd Brasileiro since the starting out of pure sentiment in favor of this courageous line, all will have lost their faith in Lloyd Brasileiro and will not give you their support for the second time. They will say that all their previous fight and work and support and influence were used by Lloyd Brasileiro for the purpose of cutting a place for itself in the trade and then forcing itself into the syndicate as long as it could last; they will not again be the joker in the game: they will be dissatisfied, disappointed, disgusted with Lloyd Brasileiro. By not keeping your promise of running a proper and independent line, from which sprung all the support of the trade, you will find yourselves later on to have forfeited the position acquired after years of struggle and sacrifices. No sympathy and no support will be your reward in the end.

8. *The Brazilian Government.*—I have reserved this item as the last, for, aside from the conditions of the trade, it reflects entirely upon the character of Lloyd Brasileiro as a national and Government enterprise. I have already pointed out to you the conflict in which you would find yourselves with your own Government regarding the service for northern ports and need not to insist further. By giving yourselves up to the Brazil syndicate you are going to destroy the best characteristic and distinct feature of your enterprise; you are practically giving up your privileges for the benefit of the foreigners; you are putting the foreign lines on the same footing in Brazil as the one you have secured with such hard fight in the trade in the United States, in Brazil, in and out of politics, with your enemies in your own country; and the foreign lines have not even the excuse of being able to offer you a "reciprocal treatment" in their own country. You practically surrender your privilege along the coast from Manaus and Para to River Plate, as far as the United States trade is concerned, to a bunch of foreigners preying upon the resources of your own country for too many years already. And, then, look out for your enemies in Brazil; if they dared so much already against you in and out of

Parliament, what will they not do when you join foreigners in their work of exploitation?

I must say more: The syndicate will tie Lloyd Brasileiro down to and make Lloyd Brasileiro part of an iniquitous system of restriction of trade, pooling and rebates, which is a shame to any honest enterprise, a thorn in the side of any honest trade, a cause of deep grievance to any honest merchant, a crime against law. It is forbidden by the laws of the United States of America, and I understand is going to be the object of prohibitive legislation by the Government of Brazil very soon. Therefore, Lloyd Brasileiro, a national enterprise supported by the Brazilian Government and enjoying the good will of the Government of the United States, will find itself guilty of crime in the eye of the law of both countries. You will find yourselves in a clash against your own Government. It is true that all which pertains to rebates, etc., will be arranged and systematized in Hamburg, or in some other city beyond the influence of both the United States and the Brazilian law; but even in such case I can not for one moment imagine that a stern and serious Government such as the Government of Brazil should issue a legislation against an iniquitous system and then wink its eye at its own enterprise when it evades the will of the people, allowing its own laws to become by an open trickery an object of contempt and derision.

9. *Conclusion.*—I believe I have said enough to condense the whole question and as far as it is in my power to turn the light on. I certainly expect that your own enemies, the syndicate, will leave no stone unturned to drag you into their combination. A lot of friendly and seemingly fair talk will not be wanting on their side in order to catch you as in a net, from which it will be very expensive for you to extricate yourselves later on. As the poet says, "Beware of the Greeks, even if they bear you gifts," and do not forget that it will be against your own vital interest to join the Brazil syndicate just now for the following reasons:

1. Because the same objections which you might have had against it in October, 1906, are still in force and even stronger;
2. Because at present you have no steamers;
3. Because at present you can not formulate a sailing schedule of your own and in accordance with your future tonnage;
4. Because you have no other service to fall upon in dull times;
5. Because the Booth Line has an agreement with the syndicate for the exclusive trade of northern ports;
6. Because you would find your trade hampered by the River Plate lines;
7. Because you will forfeit your future with merchants;
8. Because you will work against the laws of your own country;
9. Because the syndicate lines will let you alone to fight your own battles once they have no more interest in the Brazil trade.

The only way you can keep your American line running and make a real success of it is to keep it free and independent and to compel the foreigners, as far as you are concerned, to keep their hands off what by right belongs to the Brazilians. I do not consider it necessary to go again into further particulars just now as to the policy to be followed, as I have repeatedly expounded it to you and your principals verbally, by letter, and by cable since the very starting of the line. I have now traced out the path for you, and whatever you will do I am sure I have done all in my power to throw a full light on all details.

Yours, very sincerely,

JOHN C. SEAGER.

Mr. HUMPHREY. That is what I wanted.

The CHAIRMAN. He stood out against it and lost his job.

Mr. HUMPHREY. That is what I wanted.

Mr. SEAGER. They have had three agents of the Lloyd-Brazilero since I left—a Mr. West——

The CHAIRMAN. Never mind; we are not interested in that feature of it.

Mr. SEAGER. Mr. West, who superseded me, and after Mr. West superseded me Capt. Graca took the agency and got two of my freight clerks, and has them yet, and he had the balance until about 8 or 10 months ago, when Mr. Slechta came out—so there have been three agents there in three years.

The CHAIRMAN. You have given us briefly the history of combinations in the South American trade?

Mr. SEAGER. Yes, sir.

The CHAIRMAN. Now give us briefly those other combinations—a history of combinations in South African trade—emphasizing the beginning and the circumstances.

Mr. SEAGER. I fought for the Prince Line in the East African trade, one of the hardest syndicates going, which was controlled in London and Germany. When I started it Mr. Houston agreed to join us, and for a year fought them to carry goods for \$2.50 a ton to South and East Africa. After the first year they fought me—the ring thought they had to put Mr. Houston in the fore and take him away from me and the Prince Line, and by so doing “bust” us, but we kept at the work another year, and then my owner joined their syndicate—Mr. James Knott.

Mr. HUMPHREY. Who was the owner of the Prince Line at that time?

Mr. SEAGER. The manager was James Knott.

Mr. HUMPHREY. Where did he live?

Mr. SEAGER. Newcastle-on-Tyne, England. Then, after I left the Prince Line, and my troubles commenced, they even attacked me through newspapers, and I attacked them back again, and I have got the letter that was published in a paper from here against those gentlemen, explaining my position. If you would like to have it in evidence, you can have it.

The CHAIRMAN. What is the nature of that agreement in the South African trade?

Mr. SEAGER. The same—a very strong rebate system. You have it all in the courts here explaining it.

The CHAIRMAN. How late, to your knowledge, has that condition continued and that agreement remained in force?

Mr. SEAGER. That same agreement, when I left in June, 1906, may have been modified somewhat. I can not tell.

The CHAIRMAN. Since then?

Mr. SEAGER. Since then.

The CHAIRMAN. But in 1906 it was in effect?

Mr. SEAGER. In June, 1906.

The CHAIRMAN. The same as the Brazilian agreement?

Mr. SEAGER. Yes.

The CHAIRMAN. Give briefly the history of the combinations as regards the Orient.

Mr. SEAGER. The Orient started——

The CHAIRMAN. And what lines are in that?

Mr. SEAGER. Well, there was the Prince Line, which was the last one in my time. There was the Hanse Co.; there was a Liverpool Line. I am just trying to think of the title of these, but I do not remember exactly the title of them just now. I know the names of the steamers, but I do not know the—I can not remember just now exactly who the parties are, but I can furnish it.

The CHAIRMAN. Yes.

Mr. HUMPHREY. Where did these lines run from?

Mr. SEAGER. Run from here.

Mr. HUMPHREY. You mean New York?

Mr. SEAGER. From New York through the Suez Canal to China, Japan, and to the Philippines, distributing by a certain tariff, and also by certain arrangements, shortening the trips as much as possible. If a boat would fill up for the Philippines and only go that far, or if it could fill up to China ports and go there, and others to Japan—whatever the cargo offered, and distributed among those ports.

Mr. HUMPHREY. Are those lines in agreement?

Mr. SEAGER. Yes, sir.

Mr. HUMPHREY. Like the Brazilian and South African?

Mr. SEAGER. Yes, sir; except the rebate system—I can not answer that, because those things—they began to work them on the other side so as not to land on rocks here.

Mr. HUMPHREY. That is, they adopted the policy of entering into those agreements on the other side?

Mr. SEAGER. That was when I gave up the Prince Line, my attorney of the Prince Line asked me to give up what papers I had, and I gave up the papers, which were all sent off to Europe, and those few that I retained was just by accident. I mention it, because the grand-jury man, Mr. Knapp, asked me if I had any, and I said I had not. But the way I came in contact with some others was that when I had to sell my safe—I did not know the combination of my own safe, and my treasurer died, and in opening the safe found a tin box with a few of these papers in.

Mr. HUMPHREY. Before you leave this line, at the time you were running there, in 1906——

Mr. SEAGER. Yes.

Mr. HUMPHREY (continuing). Or some few years prior to that time, there were American vessels running from the Pacific coast to the Philippines, were they not?

Mr. SEAGER. There always have been.

Mr. HUMPHREY. At that time and afterwards I have heard it charged that the vessels in the conference line that run by the way of the Suez Canal back to New York and other foreign lines made efforts to drive the American vessels out of the Philippine trade by lowering freights at the time there was an American vessel there to load. Was there anything of that kind that you know of—any efforts made by the lines to drive out those American vessels?

Mr. SEAGER. No, sir; it was not an effort—it was this: It was an agreement to regulate the rates via Suez, via the Pacific to these places; they came to an agreement with the Pacific carriers.

Mr. HUMPHREY. They came to an agreement with the Pacific carriers?

Mr. SEAGER. Yes; to regulate our rate.

The CHAIRMAN. Now, the concessions that you have mentioned with reference to Brazil, South Africa, and the Orient, did they at the time you left the service of the Prince Line exist as to the region?

Mr. SEAGER. Yes, sir; that is the first trade I put the line into. I first cut into the River Plate; then I had a little harder tussel for Brazil, and then when I succeeded I had Mr. Scott, of the Manchester Canal, who was our president, and largest stockholder of the Prince Line outside of Mr. Knott, and I proposed to him that we should go to “pastures new,” and we went to South Africa, and then I was going to put somebody else into China and Japan, and had somebody

I was trying to put in there, and the Prince Line said, "You will put others in there; as I give you so much business, I want you to reserve the *China* and *Japan* for me." And that is how I did, and they have been working on the same agreements as far as docking is concerned and as far as the stipulations I made at the time.

Mr. HUMPHREY. I should like to ask a question or two before you close. You said awhile ago that Mr. James Knott, as I understood, who lived in England, was the chief owner and had the main control of the Prince Line. Now, who controlled these other lines that were in this South American conference?

Mr. SEAGER. The South American conference?

Mr. HUMPHREY. Yes; where was the main control?

Mr. SEAGER. The Hamburg-American.

Mr. HUMPHREY. For instance.

Mr. SEAGER. The Hamburg-American is controlled in Hamburg. It was first the Sloman Line. When Sloman sold to the Sudamerikanische, and then the Sudamerikanische made arrangements and divided the trade with the Hamburg-American.

Mr. HUMPHREY. Then the chief control was in Germany, in Herr Zallan?

Mr. SEAGER. He used to be my passenger agent once.

Mr. HUMPHREY. What was the third line?

Mr. SEAGER. The Prince Line, the Hamburg-American, and the Lamport & Holt.

Mr. HUMPHREY. Where was the chief power of Lamport & Holt, who was the power there?

Mr. SEAGER. Arthur Cook.

Mr. HUMPHREY. Where was he?

Mr. SEAGER. In London, they have their secretary's office there.

Mr. HUMPHREY. So American interests do not dominate any of these lines.

Mr. SEAGER. No, sir.

Mr. HUMPHREY. They furnished the trade and the other fellow prescribed the rule on which they took it?

Mr. SEAGER. Yes; and the agent got himself placed in a false position.

Mr. HARDY. Do the German and the English interests seem to syndicate and harmonize together without much patriotic differences?

Mr. SEAGER. At first there was a little friction. Every now and then one wanted to dominate over the other, but as there were two English, as against one German, the Lamport & Holt, having a larger portion of the syndicate ruling unless I sided with the Hamburg and kept Lamport & Holt in place they were always ahead.

Mr. HARDY. Just one point about that. Is it not a fact that these great syndicates are controlled by their pecuniary interests and not by any patriotic motive?

Mr. SEAGER. There is no patriotic motive about it. It is a question of dollars and cents.

Mr. HARDY. Absolutely, it is not?

Mr. SEAGER. Yes, sir.

Mr. HARDY. And if the trade then would vary to give the big end of it to America they would be given it then, whether they were English, German, or American, would they not?

Mr. SEAGER. I beg your pardon.

Mr. HARDY. If it was a profitable thing to give the long end to the American trade, they would do it just as quick as the other?

Mr. SEAGER. If it was profitable.

Mr. HARDY. If it was profitable to the shipping combine to favor America, they would favor America, would they not?

Mr. SEAGER. If it was to their pecuniary interest?

Mr. HARDY. Have you ever found any indication of patriotic or any other interest dominating these combinations except the interest of dollars and cents?

Mr. SEAGER. I beg your pardon, there is a good deal of sentiment.

Mr. HARDY. But does it control the operation?

Mr. SEAGER. It has to give way.

Mr. HARDY. It has to go back and take a back seat, does it not?

Mr. SEAGER. When the dollars are there.

Mr. HARDY. Do you understand this triangle that Mr. Slechta spoke of? I know you do.

Mr. SEAGER. Yes.

Mr. HARDY. What is the route of trade, the natural route, as you understand it to be?

Mr. SEAGER. The natural route of those trades, as the other gentleman stated, I think Mr. Lowry, the steamers come in ballast, actually in ballast for us from England here, if they can not get cargo, and they generally can not get cargo, but to make better weather they take plenty of coal for their round voyages, as much as possible as can be well stored without being rehandled in New York.

Mr. HARDY. They take coal from England here?

Mr. SEAGER. They take coal from England to New York. From New York then they are loaded for the different parts of the world, either to Brazil, La Plata, or to China, Japan, the Philippines, etc. The trade that pays is the American trade. I do not agree with the statement that they make better freights from the other side out. I do not agree with that, except occasionally. I have been hearing of this cement business. The cement business originated from Portland cement, from Portland, England. Then came along Antwerp and other places. They had facilities of shipping by sailing vessels always—sailing vessels taking low rates. It is a cheap article and rates have got a great deal to do with it, so after a time the syndicated lines have knocked out the sailing vessels and they found they required cargo, so they gradually came to take a certain quantity to offset even a tramp being put on, and when the orders used to come here in my time the limits were so low they could not afford to very well take it aboard; that is, comparatively speaking, with other goods. A shipowner says, "I have got so many cubic feet and so much weight to carry. I want to take as many tons as I possibly can, weight and measurement."

The knowledge of shipping is not acquired by books. It is a knowledge of experts as to how to load and ship outside of the stevedore, who does that business, as to how to figure out how to get hold of the right class of boats, where there is plenty of cubic space, and still be able to carry weight; and as to the trade, this last six or eight months it is really phenomenal—something out of the common to

see the trade advance as it has done. For instance, when I was chartering for the Lloyd Brasileiro I was paying 3 shillings, and to-day, on the Government form of charter, they have to pay up as high as 7 shillings per ton. So you can see the advance; but whether that will be held is another thing. There is this, I hear from different agents and on 'change, that the volume of business has increased wonderfully. Whether the rates will be kept up to these famine figures or not I do not know, but I believe they can be; but, nevertheless, the trade from this country is developing largely. I have been watching it, because I have been in touch with a good many manufacturers. I have heard Mr. Sulzer make his speeches, and Mr. Redfield make his speeches, and I have also been watching the trade very closely, and I really do not see why steamers can not shortly be run with a little Government assistance. Now, I know what you are going to say to me; you are going to say "subsidies." The idea of subsidies does not go in the West, but in the East everybody wants one. But the poor fellow that raises wheat out West, he says, "I am a mother's son, like everybody else." He says, "Where is my protection? You protect me nicely with harvesters. You make them out in Illinois and you sell them to all my competitors at 25 per cent less. You sell them to Argentina and to Russia and in Australia and South Africa at 25 per cent less. Yes; that is the way you help me nicely. What else do you do? You help me also in binder twine, which is made in Illinois, and I have to pay out in Illinois 25 or 30 per cent more for this binder twine than it sells down to other countries." So he says, "Well, I want the cheapest carrier." At the same time the manufacturing interests in this country have developed so greatly that it is being kept back just for want of a little support. You have helped it, first of all, by allowing ships to be bought in the cheapest market. I was the gentleman that, 30 years ago, issued a circular right through the Democratic House to show the Americans how to own ships under the other flags, and it could not be done until my friend Leyland, in my own office in London, got it through the House of Commons that every steamer could be a limited liability company. You may term these antediluvian questions, and say, "Why is that done?" For the simple reason that the laws here and the laws abroad are different. Here we are a common carrier, to begin with. In England they are trying to make out that we are a fancy carrier, something of a high-cockalorum business, see? The next thing is, Leyland says, "I have got my Leyland Line steamers coming out of the Mersey." I brought the Leyland Line across the ocean. I was the agent for the Leylands when I was 21 years of age. "I am afraid that in coming out of the Mersey I may run afoul of one of MacKeeber's boats, and, dear me, they may attach four of mine for damages I have done to one of these carriers." In America, if a canal boat runs into you and knocks out a steamer, all you can attach is the canal boat, and for that reason that law was changed, and Leyland and his 20 or 30 steamers came out with every steamer a separate liability company. Then I said, "Gentlemen, this is the time for you gentlemen in America to invest a little bit in those limited liability companies and learn to run steamers." I started the first paper of any note, the Shipping Illustrated, and we have been trying to educate the people how to run ships. The fact

is, gentlemen, that with a certain amount of support, and not a very great deal, but by enforcing your laws—what is the use of having your laws if you do not enforce them? You scare us. The fellows who get scared, they are out of business.

Mr. HARDY. We have not scared them much, have we?

Mr. SEAGER. They have not yet, but financially they have. They have persecuted and boycotted me, and that is why I am here.

Mr. HARDY. I am talking about the laws having scared you much.

The CHAIRMAN. It is now a quarter past 4, and if there is no objection we will adjourn until to-morrow morning at 10.30 o'clock.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 9, 1913

No. 3



WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

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II

**D. OF D.
APR 7 1913**

INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Thursday, January 9, 1913.

The committee met at 10.30 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Mr. Hardy, Mr. Collier, Mr. Ayres, Mr. Burke, Mr. Stone, Mr. Faison, and Mr. Humphrey.

TESTIMONY OF MR. LORENZO DANIELS, NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Daniels, give the committee your name, address, and the business in which you are engaged.

Mr. DANIELS. My name is Lorenzo Daniels, 301 Produce Exchange. Our business is that of general merchants.

The CHAIRMAN. What shipping lines or companies do you represent?

Mr. DANIELS. We have had several agencies, but the only active one at the moment is the Lamport & Holt Line.

The CHAIRMAN. State what others you have.

Mr. DANIELS. We represented the Harrison Line in New York; the Holt Line, Liverpool——

The CHAIRMAN. Do you mean the Lamport & Holt Line?

Mr. DANIELS. No; the Holt Line is an eastern line. I think that would cover them.

The CHAIRMAN. But you are active agents now of the Lamport & Holt Line?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. In what trade are they engaged?

Mr. DANIELS. Their trade is principally the South American trade, and they have a line from New York to Manchester, England, on the north Atlantic.

Mr. HARDY. Lamport & Holt have a line from where?

Mr. DANIELS. From New York to Manchester, England.

The CHAIRMAN. The Lamport & Holt Line operates in the Brazilian trade?

Mr. DANIELS. The Brazilian trade.

The CHAIRMAN. And what other trades in South America?

Mr. DANIELS. We circle South America up as far as Ecuador on the west coast. That is, the line does from England, not from New York.

The CHAIRMAN. Is the Lamport & Holt Line, of which you say you are agents, a party to an agreement or agreements or any understanding with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States, or with reference to any—well, answer that question first.

Mr. DANIELS. I presume we have some.

The CHAIRMAN. That will just call for an answer "yes" or "no."

Mr. DANIELS. We have some; yes.

The CHAIRMAN. Does that agreement relate to the division of traffic or territorial division of routes? We are speaking now of the trade between the United States and Brazil.

Mr. DANIELS. Speaking of the trade between the United States and Brazil, Mr. Chairman, if you will give me the opportunity I shall be glad to submit a little outline of its present status. We recognize in New York and in our trade the importance of your committee in the present work, and our own interests are very much identified with you. If we are at all at fault, or adverse statements as represented are at all proven against us, it is very injurious. On the other hand, if we are comparatively of good record we want to stand clear before the public, as our business is very materially affected by the public reports. I have here the status of the Brazil business, if you will allow me to give it.

The CHAIRMAN. As I understand, you prefer to make a preliminary statement, which may cover the inquiries we may desire to make, and if that is your wish you may do so.

Mr. DANIELS. If you will permit me to put it before you, I will be glad to take it up in detail later, if there is no objection on the part of the committee.

The CHAIRMAN. There is no objection on the part of the committee.

Mr. DANIELS. The history of the joint workings of the Brazil lines, dating back a number of years, is similar to that of other steamships and transportation lines during the same period.

The CHAIRMAN. Right there, state what lines you refer to in that statement.

Mr. DANIELS. The general customs of business between the lines.

The CHAIRMAN. I mean, you refer to the custom of your lines? What lines do you refer to there?

Mr. DANIELS. Of the Brazil lines?

The CHAIRMAN. The Lamport & Holt Line.

Mr. DANIELS. The Lamport & Holt Line, in connection with any other lines that may be operating?

Mr. HUMPHREY. What are those lines with which you have been operating, or had been operating, before the conference?

Mr. DANIELS. We have been operating during this period with the Prince Line, the Sloman Line, which sold out, the Union Line, which sold out, the Hamburg-American, and the Hamburg-South American. I think that covers all.

The CHAIRMAN. Proceed. We just wanted to know what lines you referred to.

Mr. DANIELS. We have had in the past traffic and rate agreements, pools, and published and printed rebates to shippers.

Early in the nineteen hundreds, when the matter was first brought before the courts under the Sherman law, the writer, then on a visit to Europe, was instructed by Messrs. Lamport & Holt to secure the

best legal opinion in this country as to how our business should be organized to conform to the United States legal requirements. This resulted in the early part of 1905—the lawyers of the other lines joining us—in our submitting our method of doing business at that time to one of the most eminent legal authorities. This lawyer advised us to discontinue any special rebates, but said that the lines could form a new agreement providing for just what we were doing then, excluding discriminations and limiting the parties to reasonable rates. Having thus obtained the best opinion available in this country, we conformed our agreements in accordance with his opinion.

In 1907, owing to the change of ownership of one of the lines, etc., all agreements were abrogated, and we started in for a merry little rate war, all concerned losing considerable money. In February, 1908, the principals came together in London and signed a peace treaty, coming again to an arrangement much on similar lines to what had been in force previous to 1907. A few months later a pooling agreement was signed in London, which was terminated by formal notice June 30, 1909.

According to my understanding, there is now no written agreement or formal understanding between the three so-called conference lines from New York to Brazil, namely, the Lamport & Holt Line, Prince Line, and Hamburg-South American Steamship Co.—Hamburg-American Line's joint service. These lines, however, continue to act in conference, maintaining for joint account a secretary's office in London and a secretary's office in New York, these two offices being used chiefly for economy in passing cables and for keeping records and other information; in New York passing the information received on to the offices of the three lines and in turn collecting information that is to go forward to London for presumably similar purposes abroad. The representatives of the lines meet weekly in the conference office to file reports of steamers loading, position of cargo, contracts, etc. The lines work in accord in the matter of scheduling steamers to meet the requirements of the trade and contract obligations that have been assumed.

The basis of rates is sent from London to New York. Our present tariff is made up under instructions from London, to conform to the English, German, and other continental tariffs for similar classes of goods; in other words, we charge the same rates to American shippers as are paid by shippers from Europe. On American staples we agree on the rates in New York, taking the base value per cubic foot or ton 2,240 pounds, given us by our European offices.

In the matter of freight contracts, each line trades for its own boats that may be loading and for boats scheduled for a period of three months ahead. Contracts beyond three months are generally made for joint account, each line assuming a one-third liability; contracts for large amounts of staples are also made jointly, each line assuming a one-third responsibility.

Prior to September, 1911, for a period of from five to eight years, the lines in the Brazil trade failed to make any return on the investment, as is shown by the reports of those lines which are corporations, to their stockholders, and the reports under the corporation tax law. Since the fall of 1911, the value of tonnage the world over has had a phenomenal increase. At present it is nearly 100 per cent

higher than in August–September, 1911. Meantime, our rates to shippers, although they have been advanced, have not advanced in anywhere near so large a proportion. If we are obliged to go into the open market to-day and charter the most ordinary and cheapest type of steamer to fill a sailing that our own tonnage may be unable to take, we invariably face a loss on the transaction; in other words, our freight rates are below the value of the market tonnage, and if a shipper was obliged to furnish his own steamer he would suffer a corresponding loss instead of ourselves. It is therefore clear that it has been impossible in any part of the period I speak of—first when we were running under continual losses—and second, while we have been running below the charter market, to charge exorbitant or unreasonable rates.

The following lines are in the River Plate trade between New York and the River Plate: Lamport & Holt Line; Prince Line (Ltd.), Barber Line, Houston Line, American Rio Plata Line, Norton Line.

Of these lines the Barber, Norton, and American Rio Plata, are represented by their home offices at New York. The Lamport & Holt Line's only agreement with the other lines in this trade is one affecting the maintenance of rates, and we are on record with the other lines, under instructions from our home office, that we will maintain rates that we have a voice in the making of.

The freight representatives of this trade have weekly meetings, much the same as the freight representatives in the Brazil trade. These are generally held at one or the other of the shipping offices in turn. Reports are then made as to the movement of cargo, whether the steamers are filling, getting good dispatch; contracts are reported and rates discussed when necessary.

Again, as in Brazil, the policy of the River Plate trade has been to maintain similar tariff rates to the River Plate as the conferences operating from Europe to the River Plate, to give American merchants the same rates from New York to the River Plate as their competitors have from Europe. In making up this schedule of rates a committee of the lines was in conference with a committee of merchants from one of the associations who asked to have a voice in the make-up of the tariff.

We have already sent to your committee copies of the rate tariffs in both Brazil and the River Plate trades.

Again, in the River Plate, we have found the rising market of tonnage has advanced faster than our rates to the merchants; and we have carried a great deal of unprofitable business from New York to the River Plate in the last year. Taking our own case, where we have had to charter in one or two instances to fill a date, we have lost from \$5,000 to \$7,500 on the voyages of these chartered boats, which shows that our rates to the trade have been below the market of tonnage, or less than the trade could have chartered the cheapest type of boat in the open market and performed the voyage themselves.

I thank you, Mr. Chairman. That is practically all the formal matter I have.

The CHAIRMAN. You referred to certain agreements or understandings with the other conference lines relating to the Brazilian

and other South American trade. I believe there was a subpoena duces tecum served on you to produce those agreements. Are you prepared to do so?

Mr. DANIELS. In the Brazil trade all our documents are in court in New York, in the hands of the Government's attorneys there, but I have a copy of the petition of the Government, which includes a copy of these agreements which we admit as correct.

Mr. HUMPHREY. What is that particular case? Is that a copy of the petition?

Mr. DANIELS. This is a copy of the petition of the Government including these agreements as exhibits.

Mr. HUMPHREY. I know, but there are three or four of those petitions.

Mr. DANIELS. This is the case of United States of America, petitioner, *v.* The Prince Line (Ltd.) and others, defendants, in equity, United States District Court for the Southern District of New York.

Mr. HARDY. That gives a correct copy of your written agreements?

Mr. DANIELS. That gives a correct copy of our written agreements as we furnished them to the Government.

The CHAIRMAN. What are you referring to, Mr. Daniels?

Mr. DANIELS. These agreements that are printed in this petition as exhibits.

The CHAIRMAN. That is, United States of America, petitioner, *v.* The Prince Line (Ltd.) and others, defendants?

Mr. DANIELS. Yes, sir. You will find those exhibits in the back of the book.

The CHAIRMAN. Let us get it definite. It is the case in the United States District Court for the Southern District of New York, entitled "United States of America, petitioner, *v.* Prince Line (Ltd.) and others, defendants, in equity." Beginning on page 22, Exhibits 1 and 2, you say are true copies of the memorandum of agreement between Messrs. Lamport & Holt, of Liverpool and London; the Prince Line of Newcastle-on-Tyne, the Hamburg-American Line, and the Hamburg-South American Line?

Mr. DANIELS. Yes, sir; these were admitted as true copies.

United States District Court for the Southern District of New York.

The United States of America, petitioner, *v.* Prince Line (Ltd.), defendants.
In equity.

PETITION.

Henry A. Wise, United States attorney for the southern district of New York, solicitor for petitioner.

George W. Wickersham, Attorney General.

James A. Fowler, assistant to the Attorney General.

Stanley D. Montgomery, special assistant to the Attorney General.

To the honorable the judges of the District Court of the United States for the Southern District of New York, sitting in equity:

The United States of America, by Henry A. Wise, its attorney for the southern district of New York, acting under direction of the Attorney General of the United States, brings this proceeding in equity for relief under the provisions of the act of Congress of July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and the acts amendatory thereof, against Prince Line (Ltd.), James Knott, Paul S. Gerhard, Francis J. Zimmerman, Charles E. Gerhard, Harry Connor, Walter Holland, Arthur Cook, George Melly, C. Sydney Jones, Frederick T. Busk, Lorenzo Daniels, William

Gain, Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft, William G. Sickel, Paul Gotthell, Thomas A. Sparks, Wilhelm Voelkens, H. W. Voelkens, W. L. Walter, Robert H. Goodwin, Clement H. Betts, Henry H. Garvan, and Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft, and on information and belief alleges and shows:

I.

OBJECT OF THE ACTION.

The above-named defendants Prince Line (Ltd.). Walter Holland, George Melly, Arthur Cook, and C. Sydney Jones, Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft and Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft are engaged in foreign trade and commerce as common carriers of passengers and freight between ports in the United States—particularly the port of New York—and ports in the Republic of Brazil, and in respect to said foreign trade and commerce all of the defendants herein have been and are now violating the provisions of the act of Congress passed July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and the acts amendatory thereof and supplemental thereto, as will hereinafter more fully and at large appear.

This proceeding is instituted to restrain the defendants from continuing the unlawful combination and conspiracy, hereinafter described, to monopolize and restrain trade and commerce in the carriage of freight and passengers between the ports of the United States on the Atlantic coast and Mexican Gulf and the ports of Brazil, from further acting under the unlawful contracts and agreements hereinafter described, adopted by said defendants pursuant to and in furtherance of said unlawful combination and conspiracy and from hereafter entering into any further combination or conspiracy to monopolize and restrain said trade and commerce.

II.

DESCRIPTION OF THE DEFENDANTS AND OF STEAMSHIP LINES CONDUCTED BY THEM.

1. *Prince Line (Ltd.).*

(a) Defendant Prince Line (Ltd.) is and at all times herein mentioned was a corporation organized and existing under and by virtue of the laws of the Kingdom of Great Britain, with its principal office and place of business at Newcastle on Tyne, England. From some time prior to the year 1907, to the time of filing this petition, it has acted as a common carrier of freight and passengers from the port and southern district of New York to various ports in the Republic of Brazil, and from such Brazilian ports to the said port and southern district of New York, and the port of New Orleans, in the State of Louisiana, and to other ports in the United States; and in such traffic it has at all such times maintained a regular line of steamships known as the "Prince Line";

(b) Defendant James Knott, who is a resident of Newcastle on Tyne, England, has at all such times been the manager of said Prince Line (Ltd.), and of its said line of steamships;

(c) Defendants Paul S. Gerhard, Francis J. Zimmerman, and Charles E. Gerhard, all of whom are residents of the city, State, and southern district of New York, have at all times been copartners doing business in the city and southern district of New York, under the firm name and style of Paul S. Gerhard & Co., with an office and place of business in the city and southern district of New York, and as such copartners have at all such times acted as the general agents of defendants, Prince Line (Ltd.), in the city of New York, and as such general agents have been in charge of the conduct of all of its business and affairs in the port and southern district of New York in connection with its business, trade, and commerce aforesaid;

(d) Defendant Harry Connor, who is a resident of the city, State, and southern district of New York, has at all such times been in the employ of said copartnership.

2. *Lamport & Holt Line.*

(a) From some time prior to the year 1907 to the date of filing this petition, the defendants Walter Holland, George Melly, Arthur Cook, and C. Sydney Jones, all of whom are residents of the city of Liverpool, England, have been

copartners doing business under the firm name and style of Lamport & Holt, and at all such times said copartners have owned and operated a regular line of steamships upon which they have transported freight and passengers for hire, between the port and southern district of New York and various ports in the Republic of Brazil, and between said Brazilian ports and said port of New York and the port of New Orleans, in the State of Louisiana. This line of steamships is known and will hereinafter be referred to as the "Lamport & Holt Line."

(b) Defendants Frederick T. Busk and Lorenzo Daniels, both of whom are residents of the city, State, and southern district of New York, have at all such times been copartners doing business in the city and southern district of New York, under the firm name and style of Busk & Daniels, with an office and place of business in the city and southern district of New York, and at all such times have been the general agents in the the city and southern district of New York of said Lamport & Holt, and as such general agents have been in charge of the conduct of all of its business and affairs at the port and southern district of New York in connection with its business, trade and commerce aforesaid.

(c) Defendant William Gein, who is a resident of the city, State, and southern district of New York, has at all such times been in the employ of said firm of Busk & Daniels.

3. *Hamburg Lines.*

(a) Defendant Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft is, and at all times herein mentioned was, a corporation duly organized and existing under and by virtue of the laws of the Empire of Germany, with a principal office and place of business at Hamburg, Germany.

(b) Defendant Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft is and at all times herein mentioned was a corporation duly organized and existing under and by virtue of the laws of the Empire of Germany, with a principal office and place of business at Hamburg, Germany.

(c) From some time in the year 1907 to the time of filing this petition, the two last-named corporations have jointly owned and operated a regular line of steamships for the carriage of passengers and freight from the port and southern district of New York to various ports in the Republic of Brazil, and from such Brazilian ports to the port and southern district of New York and the port of New Orleans, in the State of Louisiana. This line of steamships has at all such times been known and hereinafter will be referred to as the "Hamburg Lines."

(d) Defendant William G. Sickel, who is a resident of the city, State, and southern district of New York, has at all such times been the assistant to the general manager in the United States of the defendant Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft.

(e) Defendants Paul Gotthell, Thomas A. Sparks, Wilhelm Voelkens, H. W. Voelkens (whose first name is unknown), and W. L. Walter (whose first name is unknown) have at all such times been copartners doing business in the city, State, and southern district of New York, under the firm name and style of Funch, Edye & Co., with an office and place of business in the city and southern district of New York; and at all such times said defendants have acted as the general agents of defendants Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft and Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft in the United States, and as such general agents have been in charge of the conduct of all of the business and affairs of said companies at the port and southern district of New York in connection with their business, trade, and commerce aforesaid.

(f) Defendants Robert H. Goodwin, Clement H. Betts, and Henry H. Garvan, all of whom are residents of the city, State, and southern district of New York, have at all such times been employees of the copartnership of Funch, Edye & Co., aforesaid.

III.

DESCRIPTION OF THE TRAFFIC BETWEEN THE UNITED STATES AND BRAZIL.

The only practicable routes for the carriage of passengers and freight from the United States of America to the Republic of Brazil, and from the Republic of Brazil to the United States, are all-water routes on the Atlantic Ocean, between ports

on the Atlantic coast and the Mexican Gulf in the United States, and ports on the Atlantic coast in Brazil. Substantially all of the commerce of the United States of America with the Republic of Brazil, both export and import, is carried by steamships over said routes. At all the times herein mentioned, the defendant carriers have been engaged in the carriage of freight and passengers over such routes, and have maintained and operated their aforesaid steamship lines with regular dates for the departure of their ships from the port of New York to Brazilian ports, and from Brazilian ports to the ports of New York and New Orleans, but with no regular service from the port of New Orleans to Brazilian ports. During all of said period no other port on the Atlantic coast of the United States nor on the Gulf of Mexico has been regularly reached by any line running to or from Brazil. In said traffic between the United States and Brazil said defendant carriers are natural competitors in the business of furnishing facilities for the transportation of freight and passengers between the ports aforesaid and but for the existence of the unlawful combination and conspiracy and the unlawful contracts and agreements made in furtherance thereof, hereinafter set forth, said defendant carriers would be actively competing with one another in said trade and commerce.

IV.

THE COMBINATION AND CONSPIRACY IN WHICH THE DEFENDANTS ARE ENGAGED.

The defendants for five years last past have been continuously and now are engaged in the United States, and particularly in the southern district of New York, in an unlawful combination and conspiracy, unreasonably and directly to restrain a part of the trade and commerce of the United States with foreign nations, and to monopolize the same, that is to say: They are and for five years last past continuously have been engaged in said southern district of New York in a combination and conspiracy to destroy all competition among and between themselves in the business of transporting passengers and freight by steamships between ports in the United States of America and ports in the Republic of Brazil, and particularly between the port of New York, in the southern district of New York, and ports in the Republic of Brazil, and to eliminate, suppress, and destroy all competition in such trade and commerce by any and all persons and corporations other than themselves; and at all such times they have been continuously and now are so combining and conspiring to monopolize, and in fact, do now monopolize such trade and commerce.

V.

MEANS AND METHODS USED TO ACCOMPLISH THE OBJECTS OF THE COMBINATION AND CONSPIRACY.

To restrain trade and effect a monopoly in the above-described foreign commerce the defendants have adopted measures to eliminate competition among themselves and to destroy and prevent the competition of others. Many of the means and methods so used are in detail as follows:

1. *Traffic agreement.*

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, defendants, Walter Holland, Arthur Cook, George Melly, and C. Sydney Jones, composing the firm of Lamport & Holt, defendant Prince Line, Limited, defendant Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft, and defendant Hamburg-Südamerikanische Dampfschiffahrts-Gesellschaft, on the 14th day of February, 1908, at the city of London, England, entered into a written agreement, a copy of which is hereunto annexed and marked Exhibit 1, and here prayed to be considered as a part hereof, as if here set forth in full, which will hereinafter be referred to as the "Traffic agreement." Thereafter continuously to the date of filing this petition, all of the defendants herein named, in furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, have been, and now are, cooperating with one another to carry into effect the terms and provisions of said agreement, and each and all of the individual defendants herein named and described as residents of the southern district of New York, have at all times since the making of said agreement,

as above stated, conducted their respective affairs in accordance with the terms and provisions therein contained.

Among other things, said traffic agreement provided:

(a) For fixing the total number of sailings and apportioning them among the said lines.

(b) For the withdrawal of the steamships of the Hamburg lines then engaged in the traffic from Brazilian ports to the port of New Orleans and that the defendant proprietors of the Lamport & Holt Line should conduct all such traffic.

(c) For a system of rebates to shippers who confined their shipments to the lines of the defendants and lines which any of the defendants might be in combination.

(d) For a tariff of rates for the carriage of freight in the trade and commerce aforesaid and be adhered to by each of the lines.

2. Pooling agreement of 1908.

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, the defendants, Walter Holland, Arthur Cook, George Melly, and C. Sydney Jones, composing the firm of Lamport & Holt, and defendants, Prince Line, Limited, Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft and Hamburg-Südamerikanische Dampfschiff-fahrts-Gesellschaft, on the 8th day of July, 1908, entered into a written agreement, a copy of which is hereto attached and marked Exhibit 2, and prayed to be considered as a part hereof, as if here set forth in full, which will hereinafter be referred to as the "Pooling agreement." Immediately thereafter, and continuously, until the 30th day of June, 1909, all of the defendants herein named, in furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, cooperated with one another to carry into effect the terms and provisions of said agreement, and each and all of the individual defendants herein named and described as residents of the southern district of New York, within the time aforesaid, conducted their respective affairs in accordance with the terms and provisions therein contained.

Said agreement was terminated under the terms of a notice given by the defendant proprietors of the Lamport & Holt Line, a copy of which is hereto attached and marked "Exhibit 3," and prayed to be considered as a part thereof as if here set forth in full.

Among other things, said pooling agreement provided that:

(a) The Lamport & Holt Line, the Prince Line (Ltd.), and the Hamburg lines should each receive one-third of the aggregate profits earned by all three of said lines on freight carried in the trade and commerce hereinbefore described;

(b) The then existing scale of steorage rates should be maintained by each of said lines in the absence of mutual agreement to the contrary;

(c) A committee should be organized in New York, composed of the New York representatives of said lines which should cooperate with said defendant proprietors of said lines in carrying out the provisions of said agreement;

(d) The agents of said lines in New York should, under certain circumstances, fix the rates for said lines in said traffic;

(e) A breach of said pooling agreement by any of said defendant proprietors should result in a penalty to such offending defendant of from 100 to 5,000 pounds.

3. Pooling agreement of 1909.

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, the defendants Walter Holland, Arthur Cook, George Melly, and C. Sydney Jones, composing the firm of Lambert & Holt, and defendants Prince Line (Ltd.), Hamburg-Amerikanische Packetfahrt Aktien-Gesellschaft, and Hamburg-Südamerikanische Dampfschiff-fahrts-Gesellschaft, in or about the month of July, 1909, the exact date being to the petitioner unknown, entered into another pooling agreement, the exact terms of which are to the petitioner unknown, but which the petitioner is informed and believes was similar in form and effect to the aforesaid pooling agreement of 1908, and petitioner is informed and believes that said agreement now is in force and operation, and that at all times from the month of July, 1909, to the date of filing this petition, all of the defendants, in furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, have been and now are cooperating with one another to carry into effect the terms and provisions of said agreement;

4. *London conference.*

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy, and to effect the object thereof, from the 14th day of February, 1908, to the date of filing this petition, certain of the defendants have held regular meetings, periodically, at the city of London, England, which said meetings have been known to and described by defendants as the "London conference," at which said meetings the aforesaid Prince Line, Lamport & Holt Line, and Hamburg lines have been regularly represented by certain of the defendants herein named; at these conferences the defendants then and there present, in furtherance of, pursuant to, and to effect the object of the aforesaid unlawful combination and conspiracy, have established schedules of dates for the sailings of the vessels of said lines, whereby dates have been arbitrarily fixed upon which the vessels of each of said lines should be permitted to sail to the United States from Brazil and from Brazil to the United States, and after such conferences the action there taken has been communicated to each, all and every of the defendants and said defendants and all of them have thereafter so conducted their respective business and affairs as to conform to carry into operation the plans and schemes adopted at such conferences, and said defendant proprietors and their representatives have at said conference used divers other means in furtherance of said combination and conspiracy.

5. *New York conference.*

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy and to effect the object thereof, from the 14th day of February, 1908, to the date of filing this petition, representatives of the aforesaid defendant proprietors of said Prince Line, Lamport & Holt Line, and Hamburg Lines have held weekly meetings, known to the defendants as the "New York conference," at the city and southern district of New York. The following defendants have attended said meetings as representatives of said lines: Arthur Cook, Lorenzo Daniels, and William Gein, representing the Lamport & Holt Line; Paul S. Gerhard, Harry Connor, and Charles E. Gerhard, representing the Prince Line; and Thomas A. Sparks, William G. Sickel, Clement H. Betts, and Henry H. Garvan, representing the Hamburg Lines. These meetings have been held at an office jointly maintained by the defendants in the Produce Exchange Building, in the city, State, and southern district of New York. This office has been under the management and control of defendant Robert H. Goodwin, who has also acted as secretary at said meetings and regularly kept minutes of the proceedings thereof. At these weekly meetings the defendants then and there present have from time to time agreed upon and established rates of freight outward from New York to be charged by all of the lines hereinbefore named for the services thereafter to be rendered by them in the trade and commerce hereinbefore described; and thereafter each, all, and every of the defendants have been notified of such action and have thereafter so conducted their business and affairs as to conform to and carry into operation the plans and schemes so adopted at such conference. At certain of said meetings the defendants then and there present have agreed upon and authorized the making of contracts by the several lines parties to such conference as aforesaid with particular shippers whereby such lines were authorized to grant preferential rates to such shippers, which said preferential rates should and would be less than the regular rates established for such service at said conference, as hereinbefore stated; and thereupon each of said lines so authorized to make such contracts has been notified of the action of such conference and has thereafter so conducted its business and affairs as to conform to and carry into operation the plans and schemes so adopted at such conference.

6. *Rebates.*

In furtherance of and pursuant to the aforesaid unlawful combination and conspiracy and to effect the object thereof from February 14, 1908, to the time of filing this petition the defendant proprietors of said Prince Line, Lamport & Holt Line and Hamburg Lines have maintained a system of rebates by which they have sought to induce and compel shippers to confine their shipments in the trade and commerce hereinbefore described to said lines operated by said defendants. Under said system shippers, who for certain periods confine their shipments in said traffic between the United States and Brazil to said lines

and who during said periods confine their shipments in all other traffic in which the defendants or any of them are engaged to the lines of said defendants or to lines with which said defendants are in combination, receive at the end of said periods rebates of 10 per cent. of the amounts theretofore paid by them to said lines operated by said defendants for the carriage of freight in said traffic between the United States and Brazil. And all of the defendants herein have at all such times aided in the maintenance and operation of said system of rebates.

7. Refusals to carry.

In furtherance of and pursuant to said combination and conspiracy and in violation of their legal duty as common carriers said defendant proprietors of said Prince Line, Lamport & Holt Line, and Hamburg Lines have from time to time during the existence of said combination and conspiracy sought to coerce shippers and destroy the competition of rivals by refusing altogether to carry the goods of such shippers as refused to confine their shipments in said traffic between the United States and Brazil to the said lines of said defendants and their shipments in other traffic to the lines of said defendants and other lines with whom the defendants were in combination. And all of the defendants herein have aided in said attempts to coerce said shippers and to destroy competition thereby.

VI.

RESTRAINT OF TRADE AND VIRTUAL MONOPOLY RESULTING FROM CONSPIRACY.

As a result of the combination and conspiracy hereinbefore alleged and of the various acts hereinbefore alleged to have been done by the defendants in furtherance thereof the defendants have restrained trade by eliminating competition among themselves and by destroying and rendering impracticable the competition of others and have thereby acquired a virtual monopoly of that portion of the foreign commerce of the United States which consists in the transportation of passengers and freight for hire between ports of the United States on the Atlantic coast and Mexican gulf and ports in the Republic of Brazil.

Said monopoly is complete, but for one small independent line, the Lloyd Brasileiro, operating steamships with infrequent sailings between Brazilian ports and the port of New York and but for a small and decreasing number of tramp steamships plying at irregular intervals between ports in the United States and ports in Brazil. The sailings provided by these competitors are so infrequent and irregular that shippers who are regularly shipping goods between the United States and Brazil are obliged to employ the defendant lines for at least a portion of their shipments. The defendants are attempting to monopolize said commerce completely and by the aid of the coercive measures hereinabove described will succeed in so doing unless restrained by the decrees of your honors.

By reason of said restraint of trade and said virtual monopoly said defendants have acquired the power to fix arbitrary and unreasonable rates for the services rendered by them in said trade and commerce and have endeavored to maintain rates at that artificial level at which said traffic so monopolized may be made to yield the highest net returns to them. By their action in fixing such rates they have deprived and are depriving the public of the benefit of the lower scale of rates for such traffic that would normally have resulted from free competition among persons and corporations engaged in such traffic and of the benefit of superior facilities for such traffic that would normally have been provided as a result of said competition.

VII.

PRAYER FOR RELIEF.

In consideration whereof, and inasmuch as petitioner can only have adequate relief in the premises in this honorable court where matter of this nature are properly cognizable and relievable, your petitioner prays:

1. That the aforesaid unlawful combination and conspiracy and the aforesaid contracts entered into and continued by the defendants as set forth herein and each of said contracts be declared illegal and in violation of the act of Congress

passed July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraints and monopolies," and the acts supplemental thereto and amendatory thereof, and that an injunction issue restraining and prohibiting the defendants and each, every, and all of them and their officers, servants, employees, attorneys, and agents from doing any act in pursuance or in furtherance thereof by the means herein described, or by any other means, and be required to desist and withdraw from all connection with the same, and that they and each of them be required and compelled to cancel and abate said unlawful contracts.

2. That the defendants, and each, every, and all of them, and their officers, servants, employees, attorneys, and agents, be enjoined, restrained, and forbidden from offering or paying any bonus, rebate, or reduction of freight rates in any form or guise whatsoever in consideration or because of shippers forwarding their shipments exclusively over the lines of the defendants or some or any of them.

3. That the defendants and all and each of them, their officers, servants, employees, attorneys, and agents, be enjoined and prohibited from further agreeing, combining, conspiring, and acting together to establish and maintain rules, regulations, and rates for carrying freight upon the several steamships operated by the defendants, or any of them, between ports in the United States and ports in the Republic of Brazil in restraint of trade and commerce of the United States and with foreign nations, and from entering into, or continuing in, or doing anything in aid of any combination, association, contract, or conspiracy to deprive individuals, firms, or corporations shipping freight between points in the United States and said Brazilian ports of such facilities and rates of freight as will be afforded by free and unrestrained competition among said defendant steamship lines or any of them.

4. That the defendants, and all and each of them, their officers, servants, employees, attorneys, and agents, be enjoined and prohibited from further agreeing, combining, conspiring, or acting together to injure or destroy the business of any person or corporation engaged in or who may at any time hereafter be engaged in the business of carrying freight between ports in the United States and ports in the Republic of Brazil, and from further agreeing, combining, conspiring, or acting together to monopolize the said freight traffic in the trade and commerce between the United States and foreign nations or any part thereof.

5. That the defendants, and each of them, their officers, agents, attorneys, servants, and employees, be enjoined and prohibited from entering into or taking part in or performing any contract, combination, or conspiracy, the object, purpose, or effect of which will be a restraint of, or a monopolization, or attempt to monopolize, trade and commerce in the transportation of freight between the United States and foreign nations in violation of the provisions of the act of Congress approved July 2, 1890, entitled "An act to protect trade and commerce against unlawful restraint and monopolies" and the acts amendatory thereof or supplemental thereto, either by agreeing or contracting together or with one another expressly or impliedly, directly or indirectly, as to the prices at which the said service of transportation of freight shall be rendered, or as to a division of said traffic among defendants' lines, or by agreeing or contracting together, or with one another, with a view to the imposition of any burden or limitation upon the service of transporting freight, or by contracting or agreeing together, or with one another, expressly or impliedly, directly or indirectly, to contribute any part of the proceeds of such transportation to any pool or general fund, or to maintain any such pool or general fund made from such contribution for the purpose of paying rebates or otherwise controlling or attempting to restrain competition among the various lines of defendants.

6. That defendants, and each and all of them, their officers, servants, employees, attorneys, and agents, be enjoined, restrained, and forbidden either to enter or clear any of their ships or vessels at the port of New York or at any other port of entry within the United States of America or any of its possessions so long as they shall continue to maintain the aforesaid unlawful combinations and conspiracies or any other such or similar combination or conspiracy.

7. That upon the filing of this petition an injunction or restraining order be granted restraining the defendants, and each of them, during the pendency of this suit in the manner expressly set forth in paragraphs 1 to 6, inclusive, of this prayer.

8. That your petitioner have such other further and general relief as to this honorable court may appear to be meet and proper.

9. To the end that each and every of said defendants may, if they can, show why your petitioner should not have the relief herein prayed for, and may, according to their best and utmost knowledge, remembrance, information, and belief, full, true, direct, and perfect answer make (but not under oath, answer under oath being hereby expressly waived) to each and all matters in this petition alleged and contained, and that as fully as if the same were here repeated paragraph by paragraph and they were thereunto specially severally interrogated. May it please your honors to grant to your petitioner a writ of subpoena issuing out of and under the seal of this court, directed to said defendants and each of them, commanding them and each of them on a day certain and under a certain penalty, to be therein inscribed, to appear before your honors in this court, and then and there full, true, direct, and perfect answer make to all and singular the premises herein set forth, and further to stand, to perform, and abide by such further order or decree as to your honors shall seem meet, and your petitioner will ever pray.

HENRY A. WISE,
*United States Attorney for the
 Southern District of New York, Solicitor for Petitioner.*

GEORGE W. WICKERSHAM,
Attorney General.

JAMES A. FOWLER,
Assistant to the Attorney General.

STANLEY D. MONTGOMERY,
Special Assistant to the Attorney General.

EXHIBIT 1.

Memorandum of agreement between Messrs. Lamport & Holt, of Liverpool and London, the Prince Line of Newcastle on Tyne and the Hamburg-Amerika Linie and the Hamburg-Südamerikanische Dampschiffahrts-Gesellschaft, of Hamburg (hereinafter called the Hamburg Lines). For the better regulation of the trade between the United States of America and Brazilian ports and vice versa, whereby it is mutually agreed as follows.

OUTWARDS.

1. That the departures of the lines, unless otherwise mutually agreed, shall be as follows: Messrs. Lamport & Holt, 24 sailings per annum; the Prince Line, 24 sailings per annum; the Hamburg Lines combined, 24 sailings per annum; an itinerary covering the requirements of the various ports to be drawn up and agreed upon, the object and intention being that an excess of tonnage for any particular destination may be avoided.

2. Pending a basis for a pooling agreement being arrived at, a tariff of rates from New York to be drawn up and strictly adhered to without any modification whatever except as they may be altered by agreement in meeting or in writing.

3. Consideration to be given to the reestablishment of a deferred rebate system on the same lines as that in force in Europe.

HOMWARDS.

4. From the 1st of July, 1908, the departures of the Hamburg Lines from Brazilian ports to New York shall not exceed 24 steamers per annum and those of the Prince Line 24 steamers per annum to New York and 12 steamers per annum to New Orleans, Messrs. Lamport & Holt only to be at liberty to dispatch such number of steamers as may suit their convenience. The Hamburg Lines to withdraw their service to New Orleans, the trade to that port to be maintained only by the steamers of Messrs. Lamport & Holt and the Prince Line.

5. The rate of freight on coffee to be fixed in conference at the highest possible level, no alteration to be made therefrom except by mutual agreement.

No rebates or discounts of any kind whatever to be given or allowed, except such as may be provided for hereafter. The rates of freight on all other articles, excepting on sugar from the northern ports, also to be agreed upon and adhered to.

6. A rebate system to be established on the same scale as that presently in force for Hamburg, under which all shippers will be required to confine their shipments either to the United States or to Antwerp, Rotterdam, Amsterdam, Hamburg, and Bremen, to the steamers of the parties to this agreement or to other lines which may be in conference with the Hamburg lines in their Brazil-Europe service. An agreement, if possible, also to be come to with the Royal Mail Co., the Chargeurs Reunis, or other lines under which the shipments to Havre and London may be brought within the same rebate system.

7. In the event of any of the parties to this agreement starting a service in which they have not already been engaged previously and by which they are entering into competition with any trade in which any of the other parties to this agreement are at present engaged, it will be competent for any party whose trade may be so interfered with to withdraw from this agreement forthwith.

8. Should any unforeseen contingency arise not contemplated under this agreement, the same shall be taken into consideration and, if possible, provided for.

9. Should any claim be made under this agreement by any one or more of the parties hereto in respect to any alleged breach by any other party or parties, the matter shall be referred to the decision of two arbitrators in London, one to be appointed by the party or parties claiming or objecting, as the case may be, and the other by the party or parties against whom the claim or objection is made, with power to such arbitrators to appoint an umpire, and the decision of the said arbitrators or umpire shall be final and binding upon all the parties hereto.

10. This agreement shall commence as from the date hereof and shall remain in force until the 31st December, 1913.

Dated in London 14th February, 1908.

(Signed)	BALLIN. LOESER.
	FOR THE PRINCE LINE,
(Signed)	JAMES KNOTT,
	<i>Managing Director.</i>
(Signed)	TH. AMSINCK. CROPP.
(Signed)	LAMPORT & HOLT.

Signed by Mr. Knott subject to the confirmation of the Prince Line board in regard to the duration clause. Failing such confirmation the agreement, so far as the Prince Line is concerned, to run for one year, say to 30th June, 1908, subject to six months' notice of termination, always expiring on 30th June in any year.

J. K. B. L. TH. A. C. L. H.

EXHIBIT 2.

NEW YORK-BRASILLEN POOL-VERTRAG AUSGEHEND.

Memorandum of agreement made this 8th day of July, 1908, between Messrs. Lamport & Holt, of Liverpool and London; the Prince Line (Ltd.), of Newcastle-on-Tyne; the Hamburg-Amerika Linie and the Hamburg-Südamerikanische D.-G., of Hamburg, hereinafter called the Hamburg Lines, whereby it is mutually agreed as follows:

1. That the parties hereto shall form a "pool" for the purpose of equalizing the benefits and disadvantages in connection with the berth trade from the United States of America to central Brazilian ports, say Pernambuco, Cabedello, Macelo, Bahia, Rio de Janeiro, and Santos.

2. The interest of the parties to this "pool" shall be as follows:

Messrs. Lamport & Holt, one-third; The Prince Line, Limited, one-third; The Hamburg Lines, one-third.

3. *Terms of charter.*—Each and all steamers dispatched by the parties hereto under this agreement shall be paid a carrying rate of dollar 1.25 gold per freight ton plus allowances to cover the cost of stevedoring and reception charges at New York, and of handling charges in Brazilian ports, as follows:

Cabedello, landed dollar 1.60 f. f. a. dollar.....	1. 00
Pernambuco (inside). landed dollar 2.40 f. f. a. dollar.....	1. 10
Macelo, landed dollar 2.25 f. f. a. dollar.....	1. 10

Bahia, landed dollar 3.00 f. f. a. dollar-----	1. 25
Victoria, landed dollar 2.50 f. f. a. dollar-----	1. 65
Rio de Janeiro, landed dollar 3.35 f. f. a. dollar-----	1. 35
Santos, landed dollar 1.60-----	

With the exception of pieces or packages exceeding 2 tons weight, cargo of a bulky nature carried on deck, dangerous cargo, explosives, or ad valorem cargo for which 75 per cent of the freight shall be allowed instead of the carrying rate and allowances as above.

All passage money, mail money, specie, or intermediate freight to be for owner's own account. The present scale of steerage passenger fares both ways not to be departed from except by mutual agreement.

4. *Agents' commission pool.*—A loading commission of 5 per cent on the net freight earned to be paid by all the lines to their respective agents in New York, to be placed in a pool for division amongst them in equal proportions, say one-third each.

5. *Sailings.*—The above proportions of the pool are based upon a minimum of one sailing for each party per month, force majeure excepted. Any party shall be at liberty to increase their sailing up to two per month, but without increasing their share in the pool. Whatever the number of steamers dispatched by the parties hereto during the year, or whatever the size of the steamers may be, it is distinctly understood and agreed that each of the parties is entitled to and must be in a position to carry their proportion of cargo, and that in the case of the failure of any of the parties to supply their minimum sailings with sufficient space or their proportion of any increased tonnage that may be necessary, such party's share of the "pool" earnings shall be proportionately reduced for the benefit of the other parties.

6. *New York committee.*—A committee to be formed in New York composed of members of the firms of agents or brokers representing the different lines, which will hold regular meetings at the appointed place. No meeting to be held without a representative of each line being present and all decisions to be unanimous excepting with regard to certain freight matters as hereinafter stated. The chair to be taken alternately by each of the parties' representatives or agents for periods as may be agreed between them.

7. *Syndicate office in New York.*—An office to be maintained where the committee will meet at which the accounts of the syndicate will be kept, an independent secretary being appointed to attend to the work. All accounts and manifests to be lodged as soon as possible but not later than 30 days after the departure of the steamer. The secretary to make up a monthly statement regarding all sailings of the syndicate lines in each month, showing the percentages of tonnage carried, freight earned, and amount contributed to the pool by each of the lines. A balance sheet and accounts to be made up yearly and forwarded to the principals in Europe for adjustment.

8. *Tariff.*—The existing tariff of rates to be revised as agreed upon and to be strictly adhered to without any modification whatsoever except as may be agreed upon in meeting or in writing. This tariff, until mutually agreed, not to apply to the following staple articles provided they are shipped in lots of not less than 40 tons, to be engaged only at a net rate and for f. f. a. delivery abroad and without the benefit of deferred bonus, lumber, case oil, barb wire, flour, rosin, cottonseed oil, rails, plates, and bars, rates of freight on which may be decided from time to time by a majority of the principals according to circumstances. In case there should be an exceptional inquiry in respect of which in the opinion of the majority of the agents there is no time to communicate with their principals a majority of the agents may decide the rate, but in that case their decision is to be immediately cabled to the principals, together with the reasons for the reduction.

9. *Deferred bonus.*—A system of deferred bonuses to be put into operation and the conditions of same to be rigidly enforced, excepting so far as regards staple articles in clause 8. This not to be operative for the present.

10. *Arbitration.*—Any dispute arising under this agreement or with reference to the interpretation of any of its clauses to be referred to the decision of two arbitrators in London, one to be appointed by the parties complaining and the other by the parties complained against, with power to such arbitrators in case of disagreement to appoint an umpire, and if they can not agree upon one an umpire shall be nominated by the president of the Hanseatic Court of Appeal. If one of the parties fails to appoint an arbitrator within 21 days

from notice an arbitrator nominated by the other party is to act as the sole arbitrator.

The award given by the arbitrator, arbitrators, or umpire shall be final and binding upon all the parties hereto.

11. *Penalties.*—Any party committing a deliberate breach of this agreement shall by way of liquidated damages pay a sum of not less than £100 and not exceeding £5,000 as may be decided by arbitration as per clause 10. Obvious mistake or inadvertency not to be deemed a breach of this agreement. All penalties to be divided between the other parties in equal proportions.

12. *Notice of termination.*—This agreement to begin as from the 1st of July, 1908, and to remain in force until the 30th of June, 1909, and to continue unaltered from year to year unless three months' notice be given by any of the lines to the other lines. No forward quotations or contracts to take effect after the termination of this agreement shall be made or entered into during the period of any notice to terminate, nor shall offers of future freight at rates lower than the tariff be sought or asked for or accepted during such period.

13. This agreement is supplementary to the agreement made between the parties hereto and dated 14th February, 1908.

(Signed)	LAMPORT & HOLT.
(Signed)	HAMBURG-SÜDAMERIKANISCHE DAMPFSCHIFFFAHRTS- GESELLSCH. CROPP.
(Signed)	HAMBURG-AMERIKA LINIE. THOMANN, pp. LOESER.
(Signed)	For the PRINCE LINE (Ltd.).
(Signed)	For JAMES KNOTT,
(Signed)	N. STOCKDALE, <i>Managing Director.</i>

EXHIBIT 3.

UNITED STATES—BRAZIL.

LIVERPOOL, March 19, 1909.

HAMBURG-AMERIKA LINIE. HAMBURG-SÜDAMERIKANISCHE DAMPFSCHIFFFAHRTS-
GES, *Hamburg.*

DEAR SIR; With reference to the pooling agreement dated July 8, 1909, between your companies, the Prince Line and ourselves, we beg to give you notice as provided for under clause 12 of the said agreement to terminate the same on June 30 next. We shall, however, hope that in the meantime we may be able to come to a fresh arrangement with your good selves for a renewal on a more equitable basis.

Yours, truly,

(Signed) LAMPORT & HOLT.

The CHAIRMAN. State now to the committee whether or not that agreement is still in force between the several lines named therein.

Mr. DANIELS. My understanding is that it is not in force.

The CHAIRMAN. When did it go into effect first?

Mr. DANIELS. The 14th of February, 1908.

The CHAIRMAN. And it recites that this agreement shall commence as from date and continue until the 31st of December, 1913?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. By its terms it will not expire until the 31st of next December? Now, state to the committee whether or not that agreement is still in force between the lines.

Mr. DANIELS. My understanding is that there is no agreement existing and consequently that this must not be in force.

The CHAIRMAN. Where do you get that understanding? When was it abrogated?

Mr. DANIELS. I have not any of the details as to the formal abrogation or any further details than the information I gathered from

our people abroad that there was no existing agreement between the lines.

The CHAIRMAN. You have no direct information?

Mr. DANIELS. I have nothing that can qualify that statement other than that.

The CHAIRMAN. By its terms, of course, it does not expire until the 31st of next December?

Mr. DANIELS. By its terms it should run on.

Mr. HARDY. You say there is no agreement? Is it a fact, though, that your practices have never broken at all; that you are doing just exactly as you did when the agreement did exist?

Mr. DANIELS. As regards the maintenance of rates, the working in friendly accord, we are following that from day to day in New York still.

Mr. HARDY. Is there anything in which you are not following that agreement?

Mr. DANIELS. The agreement should, I imagine, carry a liability with it, and it fixes sailings, and all that. In the present working, whereas we are in friendly accord and we maintain rates and we do not put an excess of tonnage on the berths and we economize in the management of the business as a whole. The agreement, as I understand, is only from day to day and might be terminated without obligation.

Mr. HARDY. Is there anything in which your practice is different from what it was?

Mr. DANIELS. That might carry an obligation and prevent a man doing something that to-day he would feel at liberty to do.

Mr. HARDY. You mean that now there is no penalty?

Mr. DANIELS. No special obligation. If a man wanted to exceed his sailings, I suppose he might.

Mr. HARDY. But you are doing now exactly what you have always done?

Mr. DANIELS. As far as the agents go, we are working in the same friendly accord as previously. I am not trying to dodge anything, because it is to my interest to bring it out.

Mr. HARDY. I know; but I do not want this idea that this agreement is all abandoned.

Mr. DANIELS. I am told that there is no formal agreement, but we act in New York the same as we always did in the management of the business.

Mr. HARDY. But you have abolished, by mutual understanding, any penalties for violating the terms of this agreement?

Mr. DANIELS. No; my judgment would be that this agreement has been abrogated—that there is no agreement.

Mr. HARDY. But you are still acting under a tacit arrangement by which you do what is involved in that agreement?

Mr. DANIELS. That is the natural sequence. It is the natural sequence in the economic management of the business that a minimum basis—a standardization, so to speak——

Mr. HARDY. You mean that instead of being an agreement it is an understanding?

Mr. DANIELS. Put it that way if you like. It is a working understanding that we are working under.

The CHAIRMAN. I also call attention to Exhibit No. 2, in the same case to which I referred, United States of America, petitioner, *v.* The Prince Line (Ltd.), and others, defendants [reading]:

NEW YORK—BRASILIEN—POOL-VERTRAG AUSGEHEND.

Memorandum of agreement made this 8th day of July, 1908, between Messrs. Lamport & Holt, of Liverpool and London; the Prince Line (Ltd.), of Newcastle-on-Tyne; the Hamburg-American Line; and the Hamburg-South American Line—

In which it is stated in paragraph 12:

This agreement to begin as from the 1st of July, 1908, and to remain in force until the 30th of June, 1909, and to continue unaltered from year to year unless three months' notice be given by any of the lines to the other lines.

And which recites in section 13:

This agreement is supplementary to the agreement made between the parties hereto and dated 14th February, 1908.

Are you qualified to say whether or not that agreement is still in force between these conference lines?

Mr. DANIELS. That agreement was terminated by notice on June 30, 1909. If you look at Exhibit 3 you will see a copy of the notice that terminated it formally.

The CHAIRMAN. State whether or not the agreement provided for by that arrangement, although the agreement itself was formally terminated by notice, is still in effect between the lines?

Mr. DANIELS. To the best of my knowledge it terminated the date given there—1909. There is no similar working agreement at all—no pooling arrangement between the lines.

The CHAIRMAN. At this time?

Mr. DANIELS. At this time.

The CHAIRMAN. And has not been since the time it was terminated by the notice?

Mr. DANIELS. That is my understanding.

The CHAIRMAN. Does that relate to rebating as well—deferred rebates?

Mr. DANIELS. We have no deferred rebates in the outward business from New York.

The CHAIRMAN. How about the business to New York?

Mr. DANIELS. The business to New York is a separate business almost entirely. They have rebates, and published rebates, printed, open on the table to everybody, and agreements, but I think they all operate under, or in accord with, the laws of the countries where they operate.

The CHAIRMAN. I am trying to lose sight of the laws; I just want to get the facts.

Mr. DANIELS. The facts are that they operate those systems in foreign countries.

The CHAIRMAN. Do those contracts or agreements with reference to shipments to the United States from South America also embrace pooling arrangements?

Mr. DANIELS. That I could not answer, because we are not interested in that and do not come into their operation at all. If we see them at all at New York we only see them as a matter of information, or something like that. We have nothing to do with them.

The CHAIRMAN. Have you seen them?

Mr. DANIELS. I do not recall that I have unless it is mentioned in this general agreement. I have not seen the European agreements at all.

The CHAIRMAN. Do you know that there is a pooling arrangement between the lines from Europe to New York?

Mr. DANIELS. A pooling arrangement?

The CHAIRMAN. Yes.

Mr. DANIELS. I should doubt it. I do not think there is a pooling arrangement.

The CHAIRMAN. What do you say about deferred rebates?

Mr. DANIELS. I think that is a tariff arrangement, not a pooling arrangement.

The CHAIRMAN. Is there such an arrangement as that?

Mr. DANIELS. Why, the deferred rebates, Mr. Chairman, are published. I think you have copies in the earlier testimony. They are all printed. The word "rebate" has not become abroad as much abused as it is in this country. It is nothing more or less than a discount.

The CHAIRMAN. You are talking about abuses now. What do you mean by "rebate"?

Mr. DANIELS. I think that is a tariff arrangement, not a pooling that is given privately and in discrimination.

The CHAIRMAN. Oh, it might be public; it just depends on whether the law is such that they conceal it.

Mr. DANIELS. A discount is a recognized condition of all business. If you look in any trade circulars or trade conditions you find a discount. In the shipping business we use the word "rebate," and it is nothing but a discount. It is done for the same purposes as a discount is given in all other commercial lines; it is a quid pro quo, in other words. I should be very glad to discuss the general policy of rebates with you.

Mr. HARDY. We just want the facts.

Mr. DANIELS. The facts are published.

Mr. HARDY. The question you were asked was whether they are rebates.

Mr. DANIELS. It is published; you have it all in printing.

Mr. HUMPHREY. Do you know of any discount where the condition of the discount is that if they patronize anyone outside of the combination they lose their discount?

Mr. DANIELS. I know of plenty of trades where, if anybody will give them a certain amount of business and their exclusive support to maintain their factories, they get a compensation for doing it. It is the same thing exactly.

Mr. HUMPHREY. In your rebate agreements the shipper has to agree not to patronize anyone outside of the combine, does he not?

Mr. DANIELS. Let me change that statement in just one way. He has to agree to give the line all his shipments. It is the same thing, but put in a different way; one sounds a little better than the other.

Mr. HUMPHREY. Do you say that is the general rule in regard to discounts, that in order to get a discount the man that gets the advantage of it must enter into an agreement that he will not patronize any other firms except those in the combine?

Mr. DANIELS. There are a great many trade agreements that if a man will confine his business to certain manufacturers and support those manufacturers, develop the trade, he will get a compensation for doing it.

The CHAIRMAN. We will come to that feature of the case later on. When we get the facts we will discuss the propriety of it.

Mr. HUMPHREY. I wanted to bring out the difference.

The CHAIRMAN. I am handing you a paper entitled, "Memorandum of agreement between the Royal Mail —." As I understand you, you state that there are in force between your lines now, these conference lines, rebate agreements on shipments from Brazil to the United States?

Mr. DANIELS. So I understand; yes, sir. They are published.

The CHAIRMAN. And they relate to all commodities, or do they relate to some particular commodity, like coffee?

Mr. DANIELS. I would not be able to answer you positively, because I am not well enough posted. They would not tell us in New York, except as a matter of information, but I think there is a general cargo rebate northbound from the Argentine, or was proposed—I will not be positive whether it is in force or not—on similar terms. There are similar rebates to that published to all ports in Europe on all kinds of cargo, so they are customary.

The CHAIRMAN. Is not this one of the blank forms issued by these conference lines upon which shippers may make their claims for rebate? [Chairman here shows witness form of rebate agreement referred to by Mr. Story, and printed on pages 16 and 17 of hearings.]

Mr. DANIELS. I think it is. It looks to be the same form I have seen.

The CHAIRMAN. The same kind that is used in your office, is it not?

Mr. DANIELS. The same kind. Well, we never see this in New York. This is a foreign form entirely, but it looks, as I understand it, like the usual form.

The CHAIRMAN. Take the shippers of coffee, the New York importers of coffee from Rio. Do they make their claims for rebates through your office?

Mr. DANIELS. No; not at all. They are all made at Brazil.

The CHAIRMAN. They are made by their agents in Brazil, are they?

Mr. DANIELS. They are made by their agents in Brazil.

The CHAIRMAN. Now, have you any other agreements or understandings with any other steamship line, either affecting the freight or passenger tariff to or from the United States, than the ones that you turned over to the Government, and which are shown as exhibits in the suit of the United States against the Prince Line (Ltd.) and others?

Mr. DANIELS. I think we have an agreement. I had almost forgotten it, to maintain a passenger rate from Brazil, and, possibly, Trinidad to New York—to fix a rate for a certain class of steamers.

The CHAIRMAN. Have you that agreement?

Mr. DANIELS. No; it is very informal; it would only be by an exchange of letters. It really escaped my mind until you asked me a question about it. I had not taken up the passenger side of it. That would be the only agreement we have.

The CHAIRMAN. Can you furnish that to the committee?

Mr. DANIELS. I shall be very glad to look it up and send you a copy of it; yes, sir.

The CHAIRMAN. I will ask you to state also if you have not an agreement with reference to freight from Trinidad to New York between the different companies?

Mr. DANIELS. I do not know whether there is an agreement or not, Mr. Chairman.

The CHAIRMAN. Well, have you a freight tariff to which you all conform?

Mr. DANIELS. Do you mean northbound?

The CHAIRMAN. Yes.

Mr. DANIELS. I really could not answer you that. The agent on the spot would have charge of that and operate it. It is quite likely, but I simply have not any advice.

The CHAIRMAN. Do you think you could identify it if you could see it?

Mr. DANIELS. I have not seen it and I could not identify it.

The CHAIRMAN. You never saw any such agreement, do you say?

Mr. DANIELS. Not to my knowledge. I know sometimes they have tried to make them, but sometimes they have not had them, and sometimes they have made them. We have never been consulted about them in New York.

The CHAIRMAN. Suppose you look this over and see if you can say whether or not you can identify that as the tariff existing between these lines in the trade from Trinidad to New York?

Mr. DANIELS. No; I have not seen it before; I do not recognize it, but it is quite in conformity with customs of the trade.

The CHAIRMAN. But you think, from your general knowledge of the situation—you would say it is a form?

Mr. DANIELS. There is no question about it. They are all printed.

The CHAIRMAN. It is carried out in practice between lines?

Mr. DANIELS. That would be my understanding. It is quite customary. They are all printed and must be quite correct.

The CHAIRMAN. The stenographer will note that as an exhibit, excepting the letter accompanying it. Now, Mr. Daniels, as I understood you, you expressed an opinion that the agreement, Exhibit 1, printed in the Government's petition, is no longer in force between the conference lines—that is the formal agreement; is that correct?

Mr. DANIELS. This Exhibit 1?

The CHAIRMAN. Yes.

Mr. DANIELS. Yes, Mr. Chairman; that is my personal understanding.

The CHAIRMAN. While the agreement has been formally abrogated, yet did I understand you correctly to say that the terms of the agreement are carried out in practice between the conference lines up to this date?

Mr. DANIELS. Not so much the terms of the agreement as the method of the agreement is carried out—the method of operating.

The CHAIRMAN. You operate under the terms of the agreement, do you not?

Mr. DANIELS. Under a friendly understanding, taking the agreement as the base, without any obligation, the trade is practically op-

erated out from New York on a friendly agreement to maintain rates, divide the large contracts, and the liability for transporting them——

The CHAIRMAN (interposing). Let us take it right from the start. Take the departures of lines "unless otherwise mutually agreed, shall be as follows." You regulate, of course, the departure of outgoing vessels, do you not?

EXHIBIT 30.

FREIGHT TARIFF FROM TRINIDAD TO NEW YORK.

Balata, per 100 pounds	\$0. 55
Balsam, per 100 pounds	. 55
Bitters, per full case	. 20
Bitters, per half case	. 10
Cocoa, per 100 pounds	. 30
Cocoa waste, per 100 pounds	. 20
Coconuts, per bag (free alongside)	. 25
Coconut oil, per cask	1. 00
Coffee, per 100 pounds	. 30
Copra, per 100 pounds	. 25
Cylinders (empty iron), per cylinder	. 50
Fruit, per cubic foot (in icebox when room available)	. 37½
Horns, per 100 pounds	. 55
Hides, per 100 pounds	. 55
Kola nuts, in bags of 100 pounds	. 30
Kola nuts, in cases, per cubic foot	. 11
Kola nuts, in barrels (flour-barrel size)	. 50
Limes, per crate of about 2' 8"	. 40
Limes, per barrel (flour-barrel size)	. 60
Lime juice, per cask (50 gallons)	1. 00
Lime juice, per barrel (25 gallons)	. 50
Manjak, per ton	2. 50
Nutmegs, per barrel	\$0. 50
Nutmegs in cases, per cubic foot	\$0. 11
Oil drums (empty, iron), per drum	\$0. 30
Old metal, per ton	\$3. 60
Skins in bundles, per 100 pounds	\$0. 55
Sugar, subject to special agreement	
Specie, per cent on value	per cent. ¼
Timber, per ton	\$5. 00
Tonka beans, per 100 pounds	\$0.60
Minimum B. L.	\$3. 00
Parcel receipt	\$1. 00
Weight and measurement cargo not otherwise enumerated, per ton of 40 cubic feet, or 2,240 pounds	\$3. 60

All of the above rates are net.

TRINIDAD SHIPPING & TRADING Co. (LTD.).
ROYAL DUTCH MAIL.
ROYAL STEAM PACKET Co.
LAMPORT & HOLT LINE.

TRINIDAD, May 1, 1911.

(EXHIBIT 31.)

REGULAR SERVICE, TRINIDAD TO NEW YORK.

(Note in ink :) Additional 5 per cent agreed in following May.

NOTICE TO SHIPPERS.

Shippers of cocoa, Trinidad to New York, are respectfully informed that commencing from this date a deferred rebate of 10 per cent will be allowed on the freight as per bill of lading on all cocoa shipped by the undersigned lines. The rebates are, however, subject to the following conditions, and may be discon-

tinued whenever notice thereof is given. They will be computed up to 31st December, 1908, and will include all shipments made by steamers of the undersigned lines at 30 cents per 100 pounds since the initiation of the 30-cents rate on May 1 last. The rebates will thereafter be computed every six months and will be payable in Trinidad six months afterwards, but only to those shippers who have up to such dates confined all their goods (except sugar and asphalt) to the undernoted lines.

A statement of claim for such rebate must be made on a form as annexed, not less than three months before the dates upon which payment falls due, to the company, firm, or line of steamers which shall have carried the goods in respect of which the rebate is claimed.

TRINIDAD SHIPPING & TRADING Co. (LTD.).

ROYAL DUTCH WEST INDIA MAIL Co.

ROYAL MAIL STEAM PACKET Co.

(In ink)

LAMPORT & HOLT LINE.

PORT OF SPAIN, November 16, 1908.

REBATE DECLARATION ON CARGO FROM TRINIDAD TO NEW YORK.

_____, 190—.

To _____:

Annexed we hand you a list of our shipments by the steamers of your line during the period ending _____, 19—, upon the freight on which we are entitled to a rebate of 10 per cent in accordance with your circular of 16th November, 1908, and we declare that neither during the period named nor since have we made or been interested, directly or indirectly, either as principals or as agents, in any shipment (sugar and asphalt excepted) from Trinidad to New York, either direct or by transshipment by any vessel other than those provided by the Trinidad Shipping & Trading Co. (Ltd.), the Royal Dutch West India Mail Co., and the Royal Steam Packet Co.

Signatures to be those of the firms or of persons duly authorized to sign on their behalf.

(Signature of principal:) _____,

(Address:) _____.

(Signature of forwarding agent in cases where employed:)

(Address:) _____.

Claims are valid only if presented by the 31st of March, 1909, in the case of steamers sailing before 31st December, 1908, or by 30th September, 1909, in the case of steamers sailing from 1st January to 30th June, 1909, or by 31st March, 1910, in the case of steamers sailing from 1st July to 31st December, 1909, and (if admitted) are payable not later than on the following 30th June and 31st December, 1909, respectively, in each year, subject to the claimants having up to date of payment confined their shipments to the lines named above.

Date of sailing.	Steamer.	Destination.	Marks.	Number of packages.	Rebate of 10 per cent.

Mr. DANIELS. We do not regulate that from New York; no, sir; that is all given us from the other side. Our own schedule is made up a year in advance.

The CHAIRMAN. Well, they are regulated, as you say, from the other side?

Mr. DANIELS. The schedules are given.

The CHAIRMAN. You say the other side. What do you mean by that?

Mr. DANIELS. I mean the European office dominates the steamers that are available to go on the berth and load.

Mr. HUMPHREY. They also tell you when they shall sail, do they not?

Mr. DANIELS. Well, we have the dates in mind; we tentatively keep our own dates; our passenger dates we adhere to strictly, and we publish that schedule for our sailings a year in advance. Our cargo boat schedule we try to keep a fortnight apart so as to make a proper interval for the convenience of the trade.

Mr. HUMPHREY. You arrange your schedule, do you not, in reference to all the other lines, in the conference?

Mr. DANIELS. Only in a very general way. The idea is not to send two boats to the same port the same day, or anyway to have a waste—to make two boats perform what one boat could more economically perform.

Mr. HUMPHREY. You do, however, all work in harmony on the dispatching of the boats, do you not?

Mr. DANIELS. We try to work in harmony in connection with all the business; yes, sir.

The CHAIRMAN. That is arranged by conference here or in London?

Mr. DANIELS. I think that is arranged in London. Our dates are arranged in London, and I think all the other lines will say all their dates are arranged in London. Do not misunderstand me. When it comes to the port, we might arrange that here in New York; if we found two boats running for one port and only a certain amount of cargo to go there, we would come together and we could cable the home office asking if one boat could be withdrawn and the other boat go, or something like that.

The CHAIRMAN. You all cable to the same office in London, do you not?

Mr. DANIELS. No; that would simply be between the two boats that happened to conflict. That would be a private matter between the lines.

The CHAIRMAN. There is an arrangement in London controlling the voyages of these vessels, is there not, to which you refer for instructions when need be?

Mr. DANIELS. The London conference table is about four times the size of this, that has about 20 trades in it. The organization of that conference, of the conference office, attends to what little business that we require of the conference.

The CHAIRMAN. It is all in the same office, is it not?

Mr. DANIELS. One office attends to a dozen conferences over there.

The CHAIRMAN. Yes; they attend to the business say in 20 different trades, do they not?

Mr. DANIELS. Yes.

The CHAIRMAN. This is one of the 20?

Mr. DANIELS. Yes; I say 20, but—

The CHAIRMAN (interrupting). And the same head controls?

Mr. DANIELS. Oh, no; it is not so at all. It is simply the organization of the office, that is all. There are entirely different concerns that use it. Not the same trades at all; it is only a matter of convenience.

The CHAIRMAN. They are all together, are they not?

Mr. DANIELS. Yes, sir; but they are not even in the same business, or friendly, or associated in harmony, those trades. One will have a day for a meeting, we will say, and the entire idea of the conference——

The CHAIRMAN (interposing). The lines engaged in the trade from New York to Brazil, or to South America, they all have their headquarters in the same office, and they have their representatives meet there together in conference, do they not?

Mr. DANIELS. They meet very occasionally; yes.

The CHAIRMAN. They meet as often as necessary, do they not?

Mr. DANIELS. I do not suppose they meet three or four times a year.

The CHAIRMAN. They also have a New York office, as I understood from your paper?

Mr. DANIELS. We have a New York office—the agents.

The CHAIRMAN. And you meet there in conference how often?

Mr. DANIELS. Nominally once a week, or whenever there is any reason to have a meeting.

The CHAIRMAN. Each line is represented by an agent; or, of course, where several lines have a common agent, they meet with the others, do they not?

Mr. DANIELS. A representative of the line, not necessarily the agent.

The CHAIRMAN. Who are the representatives of the Hamburg Lines?

Mr. DANIELS. The Hamburg have their own office in New York.

The CHAIRMAN. In this conference?

Mr. DANIELS. Funch, Edye & Co. are their freight people.

The CHAIRMAN. And you are their representative, are you not?

Mr. DANIELS. I am not.

The CHAIRMAN. Who is the representative of Lamport & Holt in that conference?

Mr. DANIELS. Our firm.

The CHAIRMAN. You for your firm?

Mr. DANIELS. No; I have not been there for a long time to a meeting. I send a representative; somebody from the office.

The CHAIRMAN. Who is the representative of the Prince Line?

Mr. DANIELS. Paul F. Gerhart & Co. are the agents of the Prince Line. They send a representatives.

The CHAIRMAN. And you meet, you say, once a week.

Mr. DANIELS. They meet formally on Wednesdays.

The CHAIRMAN. This agreement provides that “from the 1st of July, 1908, the sailings of the Hamburg-American Line from Brazilian ports to New York shall not exceed 24 steamers per annum, and those of the Prince Line shall not exceed 24 steamers per annum to New York and 12 steamers to New Orleans; Messrs. Lamport & Holt only to dispatch such number of steamers as suit their convenience; the Hamburg Lines to withdraw their service to New Orleans; the trade to that port to be maintained only by the steamers of Messrs. Lamport & Holt and the Prince Line.” That clause of the agreement is observed between these lines at this time, is it not?

Mr. DANIELS. Speaking outside of my personal direct knowledge now, because I do not come into contact with the operation of boats from Brazil to New Orleans, but my understanding of that provi-

sion was that after the war—the rate war that was carried on with the German lines—we put a line into Hamburg from Brazil, and the condition of our withdrawing from Hamburg was that they only put in a fighting boat, or something like that, from Brazil into New Orleans, and did not intend to stay there at all, while we withdrew our boats from Brazil to Hamburg, and they withdrew their boat from Brazil to New Orleans and left the trade in the same channel it was before the fight commenced. Otherwise the boundary line went back again as it was before.

The CHAIRMAN. In other words, in the same shape as before this agreement was in force?

Mr. DANIELS. Previous to that agreement I am telling you this; that agreement was a sequence.

The CHAIRMAN. It is still in force, is it not, still observed? I am not talking about any——

Mr. DANIELS. That I can not tell you, because I do not know anything at all about it.

The CHAIRMAN. That is, between Brazil and New York?

Mr. DANIELS. Between Brazil and New York, because I do not know anything about them.

The CHAIRMAN. Are not the sailings the same now as provided for in the agreement of 1908?

Mr. DANIELS. I beg pardon.

The CHAIRMAN. The one from Brazilian ports to the United States; are they not the same as provided for in the agreement of 1908?

Mr. DANIELS. I can not answer you that, because I really do not know. We keep no record at New York of any of those conditions, or any of those agreements, how they are filled. We keep no record of foreign agreements.

The CHAIRMAN. I am not talking about the records; I am talking about the facts.

Mr. DANIELS. We could not tell you whether they are adhered to or not.

The CHAIRMAN. How many Hamburg Line boats sail from Brazilian ports to New York?

Mr. DANIELS. I should have to look that up from the facts.

The CHAIRMAN. You do not know whether more than 24 boats sail a year or not?

Mr. DANIELS. No; we do not know.

The CHAIRMAN. Would you say there are?

Mr. DANIELS. I could give you the actual record and will do so with pleasure.

The CHAIRMAN. We shall be very glad to have it.

Mr. DANIELS. But I am not interested. I do not operate under the agreement.

The CHAIRMAN. Have the Prince Lines any more than 24 steamers from Hamburg to New York?

Mr. DANIELS. Again I shall have to look up the records.

The CHAIRMAN. You will kindly do that also; also to New Orleans. Now, I believe you say that the freight both ways from the United States to South American ports and from South American ports to the United States are fixed in the conference?

Mr. DANIELS. No, sir; only from New York; from the United States to foreign ports. We have nothing to do with the other terminals of the line.

The CHAIRMAN. You are talking about the New York conference now?

Mr. DANIELS. I am talking about the New York conference, the New York agents, and the New York conference as well.

The CHAIRMAN. The inbound traffic from Brazilian ports to the United States is regulated and the rates fixed in Brazil, are they not?

Mr. DANIELS. In Brazil.

The CHAIRMAN. But they are uniform like the rates from New York to Brazil, are they not?

Mr. DANIELS. They are uniform amongst the conference lines; yes, sir.

The CHAIRMAN. Yes; that is what I mean.

Mr. DANIELS. Yes; they are uniform amongst the conference lines.

The CHAIRMAN. And I believe you say, as you understand it, the rebate system is still in existence from South American ports to New York between the conference lines?

Mr. DANIELS. I understand so; yes, sir.

The CHAIRMAN. But you say there are no rebates in outward shipments from New York to South American ports via the conference lines?

Mr. DANIELS. That is quite correct.

The CHAIRMAN. And the rates are uniform?

Mr. DANIELS. The rates are uniform amongst the lines, do you mean?

The CHAIRMAN. Yes; amongst the conference lines.

Mr. DANIELS. Yes; we maintain minimum rates; the minimum rate is uniform. By our steamers, the Lamport & Holt Line, we charge probably higher rates for our fast boats. We are able to get a premium.

The CHAIRMAN. That is by an agreement, is it?

Mr. DANIELS. No; that is not part of the agreement at all; that is entirely independent.

The CHAIRMAN. Which one of these lines maintains passenger steamers?

Mr. DANIELS. We maintain the passenger boats.

The CHAIRMAN. The Lamport & Holt Line?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. You have faster and better service on the whole, and you may charge a higher rate?

Mr. DANIELS. Yes; it costs a great deal more to operate it. We must get a larger revenue to do it.

The CHAIRMAN. What proportion of the traffic from New York to Brazil does each line have under the conference?

Mr. DANIELS. All our freight and all our contracts are taken on the basis of one-third each, but in the actual carriage of business the Prince Line, I believe, carried a great deal more tonnage than any of the other two conference lines; a great deal more than we have. We have carried very little Brazil tonnage the last year or so.

The CHAIRMAN. Is there any pooling of the earnings between these lines, between ports in the United States and Brazil? ✓

Mr. DANIELS. There is no pooling between the three conference lines.

The CHAIRMAN. Is there any pooling of commissions?

Mr. DANIELS. There is no pooling of commissions.

The CHAIRMAN. Either on the outgoing or incoming traffic?

Mr. DANIELS. Not between the New York agents.

The CHAIRMAN. Well, is there, to your knowledge, by the agency in Brazil?

Mr. DANIELS. Not to my knowledge. I could not speak as to that at all from personal knowledge.

The CHAIRMAN. What is your information on that subject?

Mr. DANIELS. I have no information.

Mr. HARDY. I should like to ask a question on that same line. You say there is an agreement or understanding by which the lines are each to carry one-third of the freight out of New York, but that the Prince Line has carried a great deal more of it?

Mr. DANIELS. No; not an understanding as regarding the trade as a whole, but we take our joint contracts—supposing we take 50,000 tons of rails, for instance, instead of any one line assuming that contract directly, we would take it as a third interest, jointly, assuming a liability to that extent for the transportation of it. When it comes to the trade, as a general thing I think there is no division of the trade. Each line gets as much as they can.

Mr. HARDY. And you have no kind of understanding by which you divide the amount of the freights?

Mr. DANIELS. You mean by that the freight earnings or the cargo?

Mr. HARDY. The cargo.

Mr. DANIELS. None, beyond those contracts I mentioned which we take a third interest in. The rest of the trade we all scramble for.

Mr. HARDY. Mr. Daniels, has it not been your purpose, as much as possible, by making this cargo arrangement, to do away with competition, and is it not along the line that each steamer gets a prorata share of the trade?

Mr. DANIELS. No; I think not. Each line takes its own earnings. It is purely a friendly, economical understanding and operation.

Mr. HARDY. You have it arranged so you do not get in each other's way at all, do you not?

Mr. DANIELS. We do get in each other's way a great deal.

Mr. HARDY. You have differences among yourselves, have you?

Mr. DANIELS. It would be an ideal family if we did not. If we have any particular line of freight which other people want, we find them competing for it all the time.

Mr. HARDY. Do you have competition?

Mr. DANIELS. We have very keen competition among ourselves, not in the rates, only seeking the business.

Mr. HARDY. You have just the same competition as the two railroads in my town, or your town, would have when the rates are the same, and your agent will tell the customers you have the better route, and it is a question of which one could persuade better.

Mr. DANIELS. It would be a question of which one had the better booking clerk, the most popular with the particular line.

Mr. HARDY. Your competition, after all, amounts to only which can outtalk the other, does it not?

Mr. DANIELS. That and the difference in the services. The differences in the services is what counts.

Mr. HARDY. You have different kinds of boats?

Mr. DANIELS. Different kinds of boats. The slow boats cost a great deal less to run and get a lower class of cargo. The faster boats run on a schedule and it sometimes costs us many thousand dollars to turn around and keep our obligations. They command what we call the higher class tariff goods, and it is a constant fight with the lower class boat to get our freight.

Mr. HARDY. Have you not been sailing just as close to the anti-trust law as you could to be safe?

Mr. DANIELS. If anybody can tell me what the actual law is. As I have showed you, we have got the very best legal advice we could get.

Mr. HARDY. You have been troubled about it, have you not?

Mr. DANIELS. No, sir.

Mr. HARDY. That is the reason you had counsel, is it not?

Mr. DANIELS. The reason we had to pay was to try to find out what the law was.

Mr. HARDY. If it were not for fear of running against the law snags, would you not be in an absolute pool agreement? Do you not do that just to avoid the law?

Mr. DANIELS. It is a competitive question.

Mr. HARDY. I ask you if it is not a fact that you are not running just as close to the line as you can?

Mr. DANIELS. The merits of the pool are to eliminate personal competition.

Mr. HARDY. Is not that your purpose, to get just a reason to eliminate the competition, and is it not true that you do all you can to accomplish that without infringing the law?

Mr. DANIELS. No; I do not think so, because we are tremendously fair with the trade. There are no shippers, no class of goods, which need the protection of the lines in the matter of freight competition.

Mr. HARDY. I am not asking argumentative questions; I just want the facts.

Mr. DANIELS. We work on commissions—we work on the commission basis—and our commission is based on the amount of money we can make. It is human nature to make as much as we can to see trade grow.

Mr. HARDY. I want the facts.

Mr. DANIELS. I would like to tell the basic facts, and you can then come right down to what the object or motive is.

Mr. HARDY. So you are not trying to avoid competition at all?

Mr. DANIELS. We are not trying to avoid competition.

Mr. HUMPHREY. What is the purpose of the pool, if it was not to eliminate competition?

Mr. DANIELS. The purpose of the old pool is to eliminate this personal strife and the incident loss that generally occurs in the human nature side of an individual; if he is looking after his own interests—he generally confines himself to his own interests—if his own interests are pooled he will be found looking after that.

The CHAIRMAN. This contract which is set forth in this petition, Exhibit No. 1, was not entered into with any idea or any purpose of preventing competition?

Mr. DANIELS. My idea and understanding of a pool is from a manager's standpoint more than anything else—common interest rather than divided interest.

Mr. HUMPHREY. And then when this clause was inserted in the agreement under which your line worked for many years, this section 5 says:

The rate of freight on coffee to be fixed in conference at the highest possible level, no alteration to be made therefrom except by mutual agreement. No rebates or discounts of any kind whatsoever to be given or allowed except such as may be provided for hereafter, the rates of freight on all other articles excepting sugar from the northern ports also to be agreed upon and adhered to.

That provision, according to your idea, as the agent of this company for many years, was not put in there with any idea of preventing competition.

Mr. DANIELS. That provision in that agreement, as my understanding as a business man, is an agreement binding the different parties to that agreement to work as a unit.

Mr. HUMPHREY. Yes; but will you answer this question directly? As I understood you a while ago, you said your purpose was not to prevent competition. Now, as the agent——

Mr. DANIELS. Of that line.

Mr. HUMPHREY. Wait until I finish my question. As the agent of that line, a man familiar with its business for many years, and who is familiar with the shipping business throughout the world, with your information and your knowledge, will you tell the committee that that agreement was not entered into with any purpose to prevent competition?

Mr. DANIELS. Well, I would not like to take such a technical view of it. We naturally——

Mr. HUMPHREY. Will you answer my question as to whether or not you had that purpose—whether or not that was the purpose of entering into that agreement, from your judgment as a man familiar with shipping and familiar with the situation and knowledge concerning these pools and circumstances. Do you state now, in your judgment, as a business man, that there was no purpose of preventing competition?

Mr. DANIELS. I would state a great many other purposes, but unquestionably we did not want competition in business we controlled at that time and held.

Mr. HUMPHREY. The purposes of that contract was to prevent competition, was it not?

Mr. DANIELS. Outside business developed, such as cargoes of coal, such as cargoes of lumber. We would never interfere with the business as a whole. But business we developed ourselves, put our money into building ships, and have gone on and built up for years; naturally, we consider that we have a right to and are going to protect it and keep it.

Mr. HUMPHREY. And by protecting it you mean that you did want to prevent competition?

Mr. DANIELS. In our own business we naturally did not want to have anybody come and get it away from us.

Mr. HUMPHREY. And your own business was trade in this business to South America?

Mr. DANIELS. That is natural.

Mr. HUMPHREY. And you entered into this agreement with these other lines in order to protect yourself from the competition in your trade?

Mr. DANIELS. Not to protect ourselves from competition in our own trade, but from the competition among ourselves—simply individual competition among ourselves.

Mr. HUMPHREY. You mean among yourselves—you mean by “yourselves” the lines in this combination?

Mr. DANIELS. I mean the lines in this combination, and the advantage of a pool or agreement of that character is that you keep one line from——

Mr. HARDY. From competing with another line.

Mr. DANIELS. Yielding to temptation—constantly attempting to get the other fellow's cargo.

Mr. HUMPHREY. In other words, the purpose of the scheme, as this says, is to maintain the rate on coffee at the highest possible level?

Mr. DANIELS. Naturally at the highest possible level that we could afford to do it; but we have not been able to maintain an unreasonable or unfair level.

Mr. HUMPHREY. I did not intend to start in with the cross-examination at this time, Mr. Chairman.

Mr. DANIELS. Mr. Chairman, I made a lot of statistics and delivered them before the coffee roasters' convention at New York only a few weeks ago, elaborating this fairness as to standards of coffee rates in comparison to tonnage values, and, if there is any place in the record, I would like to have it go in, because it is a matter of absolute and irreputable facts.

The CHAIRMAN. I think I have read it, and there is no objection to its going into the record later if you desire it.

Referring to the supplemental agreement, it provides in section 4:

4. *Agents' commission pool.*—A loading commission of 5 per cent on the net freight earned to be paid by all the lines to their respective agents in New York, to be placed in a pool for division amongst them in equal proportions, say, one-third each.

You say that provision is not in effect now?

Mr. DANIELS. When——

The CHAIRMAN. I did not mean the agreement per se, but is that observed?

Mr. DANIELS. No; we all keep our own earnings—the line keeps its own earnings and the agents keep their own commissions.

The CHAIRMAN. And there is no pooling between——

Mr. DANIELS. No pooling.

The CHAIRMAN. When did that practice cease?

Mr. DANIELS. It ceased in theory when that agreement ceased. We never even qualified that agreement; that agreement was never qualified to.

The CHAIRMAN. You mean to say it was never carried out as to this provision?

Mr. DANIELS. Never carried out as to any provisions of an agreement. It ended in a row.

The CHAIRMAN. This provides—I am referring now to the supplemental agreement—

6. *New York committee.*—A committee to be formed in New York, composed of members of the firms of agents or brokers representing the different lines, which will hold regular meetings at the appointed place. No meeting to be held without a representative of each line being present, and all decisions to be unanimous, excepting with regard to certain freight matters as hereinafter stated, the chair to be taken alternately by each of the parties' representatives or agents for periods as may be agreed between them.

Now, is that clause that provides for the conference in New York between the agents?

Mr. DANIELS. I should say so; yes.

The CHAIRMAN. Well, now, that provision is now in effect?

Mr. DANIELS. We still maintain the office and meet there yet, but we maintained that office through all the fight and everything else.

The CHAIRMAN. Take clause 8, of the supplemental agreement:

8. *Tariff.*—The existing tariff of rates to be revised as agreed upon and to be strictly adhered to without any modification whatsoever except as may be agreed upon in meeting or in writing. This tariff, until mutually agreed, not to apply to the following staple articles, provided they are shipped in lots of not less than 40 tons, to be engaged only at a net rate and for f. f. a. delivery abroad and without the benefit of deferred bonus: Lumber, case oil, barb wire, flour, rosin, cottonseed oil, rails, plates, and bars, rates of freight on which may be decided from time to time by a majority of the principals according to circumstances. In case there should be an exceptional inquiry in respect of which, in the opinion of the majority of the agents, there is no time to communicate with their principals, a majority of the agents may decide the rate, but in that case their decision is to be immediately cabled to the principals, together with the reasons for the reduction.

I understood you to say there as to some commodities or rates there was no fixed rate; that they were adjusted from time to time. these are the commodities to which you referred, were they not?

Mr. DANIELS. All our tariffs change; we change all the rates from time to time.

The CHAIRMAN. Yes; but I say you do it in these conferences?

Mr. DANIELS. No; we change them by cable—cable over, or we simply change them from abroad.

The CHAIRMAN. You would change them on this side or on the other side?

Mr. DANIELS. The change is made in accordance with that, but the change is all done in the general tariff by instructions from abroad. The American staples which you have mentioned there are not shipped from the other side, such as kerosene oil, rosin, flour—

The CHAIRMAN. Barbed wire?

Mr. DANIELS. No; barbed wire, of course, is shipped from the other side; but these are American products that are not exported from Europe, and thus there would be no corresponding rate out from Europe, because the shipments do not exist there. So, the authority is given to the agent in New York, taking the base value, we will say, of \$6 a ton to Rio, to make rates on these articles provided the face value is not gone below.

The CHAIRMAN. The minimum rate?

Mr. DANIELS. The minimum value; yes. So sometimes we make the rate on kerosene by the case, flour by the barrel, lumber by the thousand feet, or whatever the trade is accustomed to, we make it; but it is made with the base.

The CHAIRMAN. When you say "we" you mean your conference?

Mr. DANIELS. I mean the agents. Our method of making rates is that it is very rarely done in the conference. Our method of doing that is to fill in a rate very much as the railroads do, as I understand. That is our form of doing it [handing paper to chairman].

Mr. HUMPHREY. Did I understand you to say that you would charge what rates you wish, excepting that you do not go below a certain minimum rate?

Mr. DANIELS. Yes; we charge whatever we think is fair, as long as we do not go below the minimum figure or the value of the room it takes up in the ship.

Mr. HUMPHREY. Then you fix, by agreement, the minimum rate abroad?

Mr. DANIELS. The minimum rate is given us all abroad—what is the minimum to go to on the ship—and we fix the rate for the article based on that.

Mr. HUMPHREY. You have to get the permission from Europe, then, to fix the rate on any of these commodities?

Mr. DANIELS. No; I do not want you to put that construction on it, Mr. Humphrey. The European offices keep the accounts and the expenses at all the foreign ports. They know what it costs—they have the data—what it costs to run the boats. They know what expenses are increased; they know when they have to make a base change. If the base change is given us, as I said, \$6, or 15 cents a cubic foot—

Mr. HUMPHREY. They do fix the base rate?

Mr. DANIELS. They do fix the base rate, because they have the information.

Mr. HUMPHREY. Then, I ask you if they do not, and I ask you this question: It is a fact, then, that the rate of the American products—the minimum rate, say—to be shipped via the conference lines from here to South America is fixed in Europe?

Mr. DANIELS. No, sir.

Mr. HUMPHREY. Well, then, who does fix it?

Mr. DANIELS. It is Brazil we are talking about. The basis is made there, because the books are kept there. For the River Plata, the books are kept in New York and the basis is made in New York.

Mr. HUMPHREY. Brazil is where the rate is fixed?

Mr. DANIELS. The books are kept abroad.

Mr. HUMPHREY. Let us understand this. Is it Brazil, then, where you cable to find out about the rates?

Mr. DANIELS. We cable to Brazil to find out about the rates; yes, sir.

Mr. HUMPHREY. And the minimum rate on these products that are strictly American, that do not come into competition with European trade, is fixed by cable from Brazil?

Mr. DANIELS. Not the minimum rate on these products, the minimum value on the boat—what it costs to run the boat.

Mr. HUMPHREY. Then, where are the freight rates fixed?

Mr. DANIELS. The freight rates are made by us, based on the minimum value of the boat, a very vast difference.

Mr. HUMPHREY. Then, you get instructions from abroad?

Mr. DANIELS. We get instructions from abroad what the value of the boat is.

Mr. HUMPHREY. What the value of the boat is?

Mr. DANIELS. Yes, sir; and we make our rate accordingly.

Mr. HUMPHREY. When you say "we," you mean New York?

Mr. DANIELS. Make it accordingly; yes, sir.

Mr. HUMPHREY. So, then, the freight rates for the freight between here and South America are fixed by the conference, by agreement, upon information received from Brazil? Now, is that right?

Mr. DANIELS. Upon information received from our home offices.

Mr. HUMPHREY. What is that?

Mr. DANIELS. Upon information received from our home offices.

Mr. HUMPHREY. Where are your home offices?

Mr. DANIELS. In London. We receive it through its counsel.

Mr. HUMPHREY. You take the information as it comes to London from South America, and from London to New York, and upon that information you fix your rates?

Mr. DANIELS. Quite right. The books of the line—if the line circles from South America to 10 countries and a hundred ports, the books must be kept in one place.

Mr. HUMPHREY. I do not know anything about the business.

Mr. DANIELS. I am telling you all about the business.

Mr. HUMPHREY. If you can tell me the facts without argument, you will reach the point long before you would otherwise. What I wanted to know was whether I am right on that—the dispatch goes from London to South America?

Mr. DANIELS. The information comes from South America to London, and then we cable over to New York to ascertain——

Mr. HUMPHREY. You cable to London?

Mr. DANIELS. We cable to London to ascertain it.

Mr. HUMPHREY. That is exactly different from what you stated it awhile ago. So that, after all, your information comes from London?

Mr. DANIELS. Our information is cabled from London.

The CHAIRMAN. Let us see if I understand the witness. You say that all the books with reference to the business——

Mr. DANIELS. The expense of the voyage.

The CHAIRMAN (continuing). Between the United States and Brazil is kept in Brazil?

Mr. DANIELS. No; London. The home office is in London. All the Brazil accounts go to New York.

Mr. BURLINGHAM. I think that it was in the—the stenographer will correct me if I am in error—it was in the Brazil trade—in the Brazils; not in the country of Brazil, but in the Brazils all the time; this misunderstanding has arisen from that.

Mr. HUMPHREY. We are talking about the trade done by this South American conference of the lines, which he speaks of. That ought to be perfectly plain to him—the information we are seeking. We are not trying to get into the interior of Brazil yet.

Let us see if I understand you now. You meet the representative of these conference lines in your room at New York City. You get a dispatch from London, and upon that dispatch you fix the minimum rate upon these products for carrying them to South America. Is that right.

Mr. DANIELS. We get the minimum price for the boat.

Mr. HUMPHREY. I do not care what you get. I want to know whether that is upon the information that you receive from London. I do not care what it is—whether it is boat or anything else, but upon information that you get from London, you fix the freight rate based on that information.

Mr. DANIELS. We fix the freight rate based on the information that we get to the value of the boat; yes sir.

Mr. HUMPHREY. I do not care what is the value of the boat.

Mr. DANIELS. I give you the reasons.

Mr. HUMPHREY. From London.

Mr. DANIELS. You have got to put one and two together.

The CHAIRMAN. Let him explain as to the minimum value of the boat. What information you get about that.

Mr. DANIELS. What information we get about the value of the boat? Take, for example, 15 cents a cubic foot or \$6 a ton.

Mr. HUMPHREY. What do you mean by the "value of the boat"?

Mr. DANIELS. I mean to make the voyage come out and cover the expenses, we have to make the value of 15 cents per cubic foot on the boat.

Mr. HUMPHREY. On information from London?

Mr. DANIELS. It is our custom to figure in London; we can figure it in New York.

Mr. HUMPHREY. You mean the value of the boat?

Mr. DANIELS. The value of the voyage, not the intrinsic value of the hull of the boat.

Mr. HUMPHREY. Then, we get right back to where we were awhile ago. You figure in New York what you are going to carry that freight on, and they tell you and they fix the rate?

Mr. DANIELS. They do not fix the rate. We figure the boats in the River Plate trade here. We figure the boats in the Brazil trade at New York instead of London. We know the value of the boat.

Mr. HUMPHREY. Why do you not do it all?

Mr. DANIELS. It is purely a custom.

Mr. HUMPHREY. Not because you have to get authority?

Mr. DANIELS. Purely our method of doing business.

Mr. HUMPHREY. Your method of doing business?

Mr. DANIELS. Yes, sir; and I do not want you—I tell you right now, the American rates are on the same parity as the English rates. The English people do not make American rates, except on the value of the business from a commercial standpoint.

Mr. HUMPHREY. Why are you so anxious to explain that. I have not asked you anything about that.

Mr. DANIELS. I see your point.

Mr. HUMPHREY. You seem to have undue anxiety to explain it before I asked you.

The CHAIRMAN. I do not think that statement is hardly fair.

Mr. DANIELS. I think we have covered the point, if the Chair thinks so.

Mr. HARDY. Let me ask him a question.

Mr. HUMPHREY. Wait a moment until I get through with this, if you please. I want to ask the question again, whether you first get your information from London, and upon that information fix your minimum freight rates?

Mr. DANIELS. We are instructed from London what the minimum charge is; yes, sir.

Mr. HUMPHREY. And then when you receive that information, the representatives of the different lines fix the freight rates in New York City?

Mr. DANIELS. Yes, sir.

Mr. THAYER. I would like to ask the witness a question.

The CHAIRMAN. Mr. Hardy desires to ask a question.

Mr. HARDY. I withdraw in favor of Mr. Thayer.

Mr. THAYER. You say you receive information from London that the value of the boat is 15 cents a ton?

Mr. DANIELS. 15 cents a foot; \$6 a ton, I said.

Mr. THAYER. How do you make your minimum rate from that?

Mr. DANIELS. Well, we figure in loading steamers the cubic capacity of the boat—amount of cubic cargo we can get in. It takes less, as an example—

Mr. THAYER. I understand.

Mr. DANIELS. We take the cubic contents of this room; then the question of buoyancy comes in, then how deep, how condensed this cargo would be, and in the American trade to Brazil we do not have to contend very much with dead-weight. It is only on rare occasions that the dead-weight proposition enters. The cargoes are rather lighter, and the boats are very apt to go out at lighter than their draft. Then the proposition would be, having paid so much for this room, or at least the cost of transportation of this room, and the dangers incident, we would have to bring out the cube of this room on the basis of 15 cents a cubic foot.

Mr. THAYER. What I mean to say is, you take the kind of cargo you are going to send; you find you could not fill the whole room on account of the dead-weight—something of that kind.

Mr. DANIELS. We can not fill it with rails, of course. You would have your boat down.

Mr. THAYER. So you have to charge for the amount that you could fill with rails at 15 cents for the whole room?

Mr. DANIELS. We fill the room; boats always go out full. The Brazil cargo is of the lighter classes.

Mr. THAYER. What do you make the minimum that you get 15 cents for?

Mr. DANIELS. \$6 a ton, we will call it.

Mr. THAYER. Is that the minimum rate that you fix, or do you add to it or deduct from it in any way?

Mr. DANIELS. We would, if the class of articles was such that it could afford a higher tariff; we would add to it.

Mr. THAYER. That is the rate.

Mr. DANIELS. We would add to it if we could.

Mr. THAYER. I am asking for the basic rate.

Mr. DANIELS. For the basic rate of 15 cents.

Mr. THAYER. Then you get your basic rate from London?

Mr. DANIELS. We get the basic rate for the Brazil boats from London; yes, sir.

Mr. STEPHENS. Mr. Daniels, do you ever receive from London a minimum rate on any particular articles likely to be shipped from New York to Brazil?

Mr. DANIELS. We do, if they are in the English or German tariffs. If there are similar articles in the English or German tariffs, we do. Our tariff from New York is made up on the same basis as the English and German tariffs.

Mr. STEPHENS. Then it is a fact, as I understand it from you, Mr. Daniels, that you do receive a minimum tariff on many articles shipped from New York to Brazil?

Mr. DANIELS. On all of them.

Mr. STEPHENS. Why, I thought you said you had a minimum tariff upon the space in your boats?

Mr. DANIELS. That is for articles like American produce, kerosene, and stuff that is not in the European tariffs.

Mr. STEPHENS. Then it does not refer to all articles shipped?

Mr. DANIELS. No; they do have our tariff, which is a great many pages long. There are similar tariffs to that published from England, published from Germany, and our tariff is made up on the same cost equivalent, whether it is in pounds and shillings, or whether it is in marks and pfennigs, brought to dollars and cents, so that a man shipping any manufactured goods, where an English merchant or a German merchant is shipping the same class of goods, the American merchant has the same rate as the English merchant, has the same rate as the German merchant, for the transportation, and it is up to them to see who can produce it the cheapest. As far as transportation goes, we give them the same rates for the same service.

Mr. STEPHENS. Is it not true, then, that the minimum rate is established by London over the conference lines from New York to Brazil, established either in bulk or by particular articles?

Mr. DANIELS. Practically, because we adopt their tariff under instructions. We adopt the English tariff. And I might add, it costs the American boats——

Mr. STEPHENS. You do not adopt it; they send to you definite instructions, do they not?

Mr. DANIELS. Yes, sir. I presume it costs the American boats running out of America fully 15 per cent higher for expenses than these same boats running out of either England or Germany.

Mr. STEPHENS. Take for example, American rails to be shipped to Brazil.

Mr. DANIELS. Yes, sir.

Mr. STEPHENS. You have a specific rate, have you not?

Mr. DANIELS. No.

Mr. STEPHENS. You could not quote a man—right now, could you quote me a rate on so many tons of rails from New York to Brazil—to Rio?

Mr. DANIELS. I happen to be able to quote you six months on rails——

Mr. STEPHENS. Why are you able to?

Mr. DANIELS. Because we have this authority, and we find that being done on the other side.

Mr. STEPHENS. That authority is based on information received from London?

Mr. DANIELS. Yes, sir.

Mr. STEPHENS. Then the minimum rate was practically established in London upon American rails for the next six months?

Mr. DANIELS. It is the same rate as the English rate because we cabled over.

Mr. STEPHENS. Answer my question.

The CHAIRMAN. I understand him to say it is fixed in London.

Mr. STEPHENS. That is what I understood him to say; but I would like to ask him further on it.

Mr. DANIELS. It is fixed in London, but it is the same as the English and German rates.

Mr. STEPHENS. It is fixed in London?

Mr. DANIELS. It is fixed in London on a parity with the English and German rates.

Mr. HARDY. I should like to ask you one or two questions. You say the minimum rate for American and European rates on these common articles is the same?

Mr. DANIELS. Yes, sir.

Mr. HARDY. The minimum rate is not always the rate you charge, is it?

Mr. DANIELS. We charge on our boats 10 per cent higher, and very often if we are running very full, if there is a great demand for our space, with better-class articles, we put a premium on lower produce.

Mr. HARDY. As a matter of fact, the special rates, the higher rates that you charge for quicker transportation and all that kind of thing, you vary in this country a good deal from the English or the European rates, do you not?

Mr. DANIELS. That is our own. We do that independently ourselves.

Mr. HARDY. I know you do it independently, but is not the result of that—the effect of it—that the American rates are higher on the average than the European rates?

Mr. DANIELS. No; the mail steamers from Europe all get a premium over the tariff.

Mr. HARDY. Then, your minimum rates being the same, both for Europe and for America, they vary these minimum rates by higher rates whenever the occasion offers?

Mr. DANIELS. No; the minimum rates are made for the cheaper boats. I do not think they vary a great deal.

Mr. HARDY. Is not that all there is that has the same rate? Your cheaper boats have the same rates, but your other boats do not have the same rates?

Mr. DANIELS. Oh, no; our other boats have the same rate.

Mr. HARDY. The same minimum; but do you often use the minimum?

Mr. DANIELS. Yes; we use the minimum with very few exceptions.

Mr. HARDY. On your higher-class boats?

Mr. DANIELS. We charge 10 per cent premium, though, on most of our tariff freight on our passenger boats in addition, but the other passenger boats from the other side do the same thing.

Mr. HARDY. Is it not a fact that while your minimum rates are the same, your other rates are not precisely the same, but are higher?

Mr. DANIELS. They are absolutely the same.

Mr. HARDY. And yet you vary them according to conditions and occasions—the higher rates. What is there to cause you to make your variation the same as they have in England? Do you have any agreement about it?

Mr. DANIELS. No; there is no agreement. It is the natural course of the thing. The higher-classed boats command the freight and fill first.

Mr. HARDY. That is not the minimum freight?

Mr. DANIELS. Oh, yes; most of the cargo will pay the minimum freight, with the exception of this additional 10 per cent, which we get on most of our cargo on the fast boats.

Mr. HARDY. So that there is never more than 10 per cent difference between the freight rates charged from Europe to South America and New York to South America?

Mr. DANIELS. In Europe they get the same——

Mr. HARDY. At any rate, there is not any more than 10 per cent difference?

Mr. DANIELS. It is practically the same—no; there is no difference at all.

The CHAIRMAN. As I understand you, you fix the rate for freight by cargo boats?

Mr. DANIELS. We fix the minimum rate. We are all at liberty to take——

The CHAIRMAN. But if this freight is dispatched by a fast steamer, either from the United States or Europe, the 10 per cent is added?

Mr. DANIELS. The fast steamer generally adds 10 per cent.

The CHAIRMAN. But, you take the same commodity, with the same character of service, and is the rate higher from the United States to Brazilian points than from European points to Brazilian points?

Mr. DANIELS. No, sir; the policy of the line has been to maintain the same, and we have committed ourselves to a great many of the large influential merchants to follow that policy for a great many years, and we have followed it faithfully.

The CHAIRMAN. Is it true or not that in the South American trade our merchants are discriminated against in the matter of freight rates in favor of European merchants?

Mr. DANIELS. Absolutely not, Mr. Chairman. The berth rates are in their favor, because the European lines which operate here and the American lines in the River Plate—three of them are American lines—give the same rate, although it costs them a great deal more to furnish that service from the United States on account of the high cost of living over here.

Mr. HUMPHREY. I should like to ask you this question: Why do you maintain the same rates between Europe and South America and between this country and South America?

Mr. DANIELS. Why do we maintain them?

Mr. HUMPHREY. Yes. What is your purpose?

Mr. DANIELS. A good many of the merchants—in fact, all the merchants—have European houses, and the New York merchants want the business to go from New York instead of from Europe. You asked me a moment ago about the rails. You take the steel company; they have a whole building in London. All the man has to do is to go out and get the rates from Europe. When a large contract comes in the market he knows exactly what competition he has over there, and to secure the business out from America we give them the same rate from America as the lines will give the steel manu-

facturers from England or Germany; and we do that with our large commission merchants, all of whom have houses abroad. You ask any of these big houses when you call them before you, when you get through with some of the smaller ones. They all know perfectly well the conditions of business. They know exactly the state of their competition, and they come to us and they say they want American business to go from New York, and the only way they can do that is if you will give them equal terms of freight for the same haulage, and we have done it for many years.

Mr. HUMPHREY. What is the difference in rates from this country to South America, from South America to Europe and back to this country, and direct from South America to this country?

Mr. DANIELS. I do not think I quite catch your distinction.

Mr. HUMPHREY. Supposing, now, for illustration, let us take the passenger rate. That will make it a little plainer, because that is traffic in which there is travel by this way. Suppose I am in South America and want to come to the United States. What difference in rate is there if I go by Europe and then here or if I come direct from South America to this country?

Mr. DANIELS. You are speaking of starting, we will say, at Buenos Aires.

Mr. HUMPHREY. Well, any port in South America.

Mr. DANIELS. The rate from Buenos Aires to Southampton and the rate from Buenos Aires to New York is the same. In the rate from Buenos Aires to New York via Southampton there is only about \$10 difference.

Mr. HUMPHREY. What is the reason of that?

Mr. DANIELS. The friendly agreement that you speak of means that they are trying to steal all the business they can away from our boats.

Mr. HUMPHREY. You fix the agreement so that they will not—

Mr. DANIELS. And we do it the same way. We quote from Buenos Aires via New York to Southampton or to Hamburg—the same place that these chaps quote at a ridiculously low rate the other way out—proportionately the same price. We will take them for just the same difference this way, and take the loss for doing it, as long as the other fellow will bring them the other way at a cut rate.

Mr. HUMPHREY. That is, you sustain a loss by bringing them directly here?

Mr. DANIELS. We pay the Atlantic lines \$95 for the trip across the Atlantic, and we do that no matter which way they go.

Mr. HUMPHREY. I saw it stated—in fact I talked with a gentleman who stated it to be a fact—that soon after the Royal Mail took over this Prince Line the rate from South American ports—I do not remember the particular port—to this country on one of your vessels was \$150 and via Europe was \$125.

Mr. DANIELS. Mr. Humphrey, if you could name these parties that make these misstatements to you we could trace them right down.

Mr. HUMPHREY. Do you say that is a misstatement?

Mr. DANIELS. It is absolutely a misstatement.

Mr. HUMPHREY. At that time was the rate the same, whichever way you went?

Mr. DANIELS. You mean, have we changed our rates?

Mr. HUMPHREY. I mean does it cost \$125 to come by Europe and \$125 direct?

Mr. DANIELS. It costs—here are our schedules. It costs \$150 from Rio to New York direct on our passenger boats and \$100, I think, on our intermediate or cargo boats.

Mr. HUMPHREY. Then it is \$150 direct——

Mr. DANIELS. It still is \$150 direct; it has been so for many years. If your friend went as steerage he probably went through much cheaper.

Mr. HUMPHREY. This man was not my friend. He was an officer of the Brazilian Government and a man pretty high in office, too. I did not get it from any of my friends. He showed me papers, some of your advertisements in South American newspapers, and he said that statement was made in Spanish. I do not know whether he read that correctly or not.

Mr. DANIELS. There are figures [indicating] showing the different rates.

Mr. HUMPHREY. Since you seem to cast some reflection on the source of my authority, I will tell you it was an officer of the Brazilian Government who told me he had made that trip, that that was the rate, and he read for me from Spanish papers——

Mr. DANIELS. I think it would be only fair to ask if you would produce him.

Mr. HUMPHREY. It is a question of fact as to whether or not it occurred. Now, then, what is the difference in distance from South America to Europe and from Europe here, starting, we will say, at one of the Brazilian ports, and direct? What is the difference in distance?

Mr. DANIELS. The distance from New York to Brazil is a couple of hundred miles shorter than the distance from Southampton to Rio.

Mr. HUMPHREY. It is practically a third farther, is it not?

Mr. DANIELS. What is that, sir?

Mr. HUMPHREY. It is approximately the same distance from South America to Europe that it is from South America here?

Mr. DANIELS. Approximately the same distance; yes, sir.

Mr. HUMPHREY. So that you have the additional distance from Europe to this country?

Mr. DANIELS. Yes, sir.

Mr. HUMPHREY. Then why do you not carry passengers on this short route directly for less than by way of Europe?

Mr. DANIELS. I told you that that was competition trying to cut into the business, and that we had retaliated by giving the same rates from Rio to New York via South Hampton as they gave from Rio to South Hampton via New York. It is simply competition.

Mr. HUMPHREY. What company do you have as a competitor in the passenger business between here and South America?

Mr. DANIELS. On that European route——

Mr. HUMPHREY. I mean from here——

Mr. DANIELS. From here to South America, at the moment I do not think we have any competitor.

Mr. HUMPHREY. Is not that the fact that has existed for several years?

Mr. DANIELS. The Lloyd-Brazileiro ran passenger steamers a few years ago. They charged higher rates than we did.

Mr. HUMPHREY. How long ago has that been?

Mr. DANIELS. I think they have not had a passenger boat for at least two years, or possibly three years.

Mr. HUMPHREY. In your testimony before the committee two years ago or a little over, before the Steenerson investigating committee, you testified at that time that yours was the only line that carried passengers, did you not?

Mr. DANIELS. If that is a matter of record it is correct.

Mr. HUMPHREY. It is not a matter of whether it is on record or not. It is a matter of whether you told the truth. As a matter of fact, you never had had any competition in the passenger traffic direct between here and South America?

Mr. DANIELS. Yes; we have had passenger boats advertised against us, but nobody that has been in our same class. We have maintained a very much better service, higher class and more efficient.

Mr. HUMPHREY. For the last four or five years you have had no competition?

Mr. DANIELS. It is a matter of record.

Mr. HUMPHREY. What I am trying to understand is who cut your throats; why it is you are compelled to maintain these rates when you absolutely have the field to yourselves.

Mr. DANIELS. We make the same rates in the passenger business from New York to South America as is charged from South Hampton to South America, and have done so for a great many years. It amounts to very little per day for the carriage. It will compare favorably with any passenger rates anywhere in the world. It has never been changed in all that period whether competition has come or gone.

You asked me a moment ago why is it cheaper rates exist from Buenos Aires to South Hampton via New York, and I answered you that they are trying to get business away from us and that we had retaliated.

Mr. HUMPHREY. In other words, although you had been carrying passengers from Europe to South America for many years, yet when you went into the business direct from here you fixed your rate exactly at what it would cost to go the other way?

Mr. DANIELS. No, sir; you must understand a plain statement. I told you our rates were the same as the South Hampton rates to Buenos Aires. The distance is the same. That is perfectly plain, is it not?

Mr. HUMPHREY. Yes; but not perfectly plain how you can cross the ocean from here at the same rate.

Mr. DANIELS. I told you we paid \$95 to the Atlantic lines for carrying our passengers on a through bill.

Mr. HUMPHREY. The fact remains that between here and South America on your boats running direct the passenger has to pay the same rate that he has to pay to go by way of Europe. That is a fact, is it not?

Mr. DANIELS. No; the European charge is a trifle more. I told you—\$10 to \$15 more. The rate is given somewhere; I haven't it with me, but it is easily obtained.

Mr. HARDY. You make the same arrangement for European traffic via New York as they make——

Mr. DANIELS. The same arrangement for European traffic via New York as they make via Southampton to Liverpool.

Mr. HARDY. And that is competitive there?

Mr. DANIELS. That is competitive.

Mr. HUMPHREY. And it is not by agreement.

Mr. DANIELS. It is not by agreement; quite the reverse. You do not suppose we pay \$95 out of our pockets for the pleasure of bringing a passenger up at a loss?

Mr. HUMPHREY. Well, some of the statements you have made here are just as serious as that. Will you explain to the committee just what changes have taken place in the conduct of the business of your lines since this action has been brought in court. You say this agreement as set forth in Exhibit 1 has been annulled by you. Just what changes have you made in your method of carrying on business since you no longer observe this contract?

Mr. DANIELS. In New York the method of doing business consists in working in friendly relations with the other lines, in dispatching our business economically and without any waste, as I explained a few moments ago, and in taking the liability of transportation under large contracts jointly.

Mr. HUMPHREY. Just where does that vary from what you were doing under the contract?

Mr. DANIELS. I would have to make a study of that, sir, to find out. I can not answer offhand.

Mr. HUMPHREY. You do not know what changes have been made in the business, then?

Mr. DANIELS. I do not think I could answer offhand.

The CHAIRMAN. There is not any essential difference then, is there?

Mr. DANIELS. In the method of handling in New York, no essential difference.

Mr. HUMPHREY. You are running just as you did when this agreement was in force?

Mr. DANIELS. That is a legal question, whether the agreement is still in force. We are operating on the same general principles.

Mr. HUMPHREY. As I understand you, you dissolved this agreement so as to escape liability, but outside of that you are still continuing the same as you were?

Mr. DANIELS. We did not dissolve this agreement to escape liability. I repudiate that. We abrogated it apparently for reasons—because we wanted to—reasons which had nothing to do with anything in America.

Mr. HUMPHREY. The reason you wanted to was because of the fact that you had very strong intimations as to what you had better do——

Mr. DANIELS. I disagree with you entirely. I think we are entirely correct in our entire methods of business.

Mr. HUMPHREY. Did you dissolve this agreement before the suit was brought?

Mr. DANIELS. My understanding personally was that the agreement was dissolved back there when that notice of termination was given. I may be wrong, but that is my understanding.

Mr. HUMPHREY. When did you first know about this agreement, a copy of which is set forth in Exhibit 1?

Mr. DANIELS. When did we first know about it?

Mr. HUMPHREY. Yes.

Mr. DANIELS. We must have known immediately after it was entered into.

Mr. HUMPHREY. As the agent of the company, of course, you would know immediately after it was entered into?

Mr. DANIELS. We would know immediately after it was entered into.

Mr. HUMPHREY. How long did you operate under this contract?

Mr. DANIELS. My understanding is we only operated for a year.

Mr. HUMPHREY. You still fix freight rates by agreement, do you not?

The CHAIRMAN. Have you been present all the morning, Mr. Humphrey?

Mr. HUMPHREY. Yes.

The CHAIRMAN. I took him over each section of that contract, and he said that they did. I would not like him to deny anything that he said.

Mr. HUMPHREY. I think he did say that. You still also have agreements as to the date of your sailings and as to the number of the sailings that each company shall have?

Mr. DANIELS. I think I have already testified to that, that I do not think there are any such agreements.

Mr. HUMPHREY. Well, are there?

Mr. DANIELS. I understand there are no agreements.

Mr. HUMPHREY. Do you have a gentleman's understanding about it?

Mr. DANIELS. We work in friendly relations. The result is that.

Mr. HUMPHREY. Well, you know about these rebate agreements. How long have you known about the use of rebate agreements on the freight coming from South America?

Mr. DANIELS. Ever since they were published.

Mr. HUMPHREY. How long has that been, about?

Mr. DANIELS. Well, they had the date on the agreement. I think copies were sent us at the time for our information.

Mr. HUMPHREY. Now, as I understand, your method is that you meet, the different representatives meet once a week and consult about the business, and that you all work in harmony?

Mr. DANIELS. We meet; the representatives of the lines meet once a week. They file reports at that time of the steamers that are loading on the berth; the amount of cargo they have secured for them; the amount of contract cargo that each one of the steamers is lifting; the contracts that have been made. I think that covers about all their procedure. They record those. I think there is very little discussion. If there are any cables to be made up, or any matter of interest requires attention, that is attended to.

Mr. HUMPHREY. You just go ahead continuing business the same as you have for many years?

Mr. DANIELS. Whenever we have been in friendly accord that is practically the procedure; yes, sir.

Mr. HUMPHREY. Now, then, there was a gentleman on the witness stand yesterday who testified, as I understood him, that the Prince Line and your line and the other lines in the conference had these

agreements: First, that you agreed on freight rates; second, that you agreed on the number of vessels that each one was to put in the business; third, that you divided up the different ports to which you were to sail; fourth, that you had pooling arrangements; fifth, that you had an agreement that if any competitor outside attempted to enter the business you would use what you call "fighting ships" to drive him out of the business, and then if you succeeded you divided up your losses, that you pooled your earnings and divided your profits. Is that statement correct?

Mr. DANIELS. That statement is incorrect.

Mr. HUMPHREY. Wherein is it incorrect?

Mr. DANIELS. Practically the whole of it.

Mr. HUMPHREY. Then you do not agree upon freight rates? Let us see now——

The CHAIRMAN. He said that, squarely.

Mr. HUMPHREY. I want to hear what he says about it now.

The CHAIRMAN. I would not want him to contradict it.

Mr. HUMPHREY. This is the testimony we had yesterday.

The CHAIRMAN. He has said already this morning, if I understood him, that the freight rates are the same; that they are fixed by agreement; that if there is any variation in these conferences they may readjust that; or, if one line changes the rate on a commodity from the agreed rate, or the rate that has been observed by them, they are given notice, like this notice here. That is, as I understood him, the modus operandi between them.

Mr. HUMPHREY. I understand, Mr. Chairman, you say he has already admitted practically the facts testified to here yesterday?

The CHAIRMAN. Now, as to these ships; I might inquire about them.

Mr. HUMPHREY. I want to ask Mr. Daniels, first, how long have you been connected with the firm of Busk & Daniels?

Mr. DANIELS. Thirty-two years.

Mr. HUMPHREY. And during all that time they have been the agents or representatives of the Lamport & Holt Line in New York?

Mr. DANIELS. Yes, sir.

Mr. HUMPHREY. Now, Mr. Daniels, you were before the investigating committee—what is known as the Steenerson committee—sometime about May, I think, May, 1910. During that investigation did you testify that there were no written agreements or understandings between these lines or to the operation of their vessels, and that you had never heard of any such agreements?

Mr. DANIELS. Whatever is a matter of record is the truth.

Mr. HUMPHREY. What you testified at that time is true?

Mr. DANIELS. It is true; yes, sir.

Mr. HUMPHREY. Then it can not be that you heard immediately about this contract, which appears of date of 1908, in which you said you must have known about soon afterwards. How do you reconcile the statement now that you knew about that statement soon after it was printed with your testimony then that you had never heard of any written contract or agreement between these lines?

Mr. DANIELS. As I have not the testimony before me, I can not recall, but whatever is a matter of record is the truth.

Mr. HUMPHREY. You would know, if you made a statement of that kind, if it was not a fact?

Mr. DANIELS. I made no statements that were not facts.

Mr. HUMPHREY. Do you think it was possible when you were asked the question direct: First, whether there were any written agreements between these companies in existence; and you said there was not; and then you were asked if you had ever heard of it, and you said you had not; you were mistaken?

Mr. DANIELS. Whatever is on record is the truth. I do not know what is on record.

The CHAIRMAN. Turn to his testimony—I think that would be fairer—and call his attention to that.

Mr. DANIELS. You might give me the page, Mr. Humphrey, I have a copy of it here.

The CHAIRMAN. It is now 25 minutes of 1 o'clock. We will take a recess until 2 o'clock.

AFTERNOON SESSION.

Mr. DANIELS. Mr. Chairman, since the session this morning an incident has happened on account of which, to make things perfectly straight, I should like to elaborate a little in detail. Coming over last evening to Washington on the train, so as to have the points or facts, the actual facts existing clearly understood, I discussed the facts with the Prince Line agent and his counsel, and I stated to them that my understanding was that there was no agreement in existence. They understood that the old agreement there was still operative in Government suit, Exhibit 1, so they cabled last evening stating my understanding and asking for a reply from the Prince Line representatives in Newcastle, and that reply came in while we were at lunch to-day, and it appears that they do understand it is in existence, the Prince Line understands that it is. I am, of course, testifying for my line from my own understanding. My own understanding is as I have testified this morning.

The CHAIRMAN. Have you that paper?

Mr. DANIELS. Mr. Kirlin, the counsel of the Prince Line, has the advice he sent last night and the reply that came this morning. I think.

Mr. KIRLIN. I have the cable I sent last night.

The CHAIRMAN. Let us understand what that is.

Mr. KIRLIN. That is the cable I sent last night to Mr. Knott, manager of the Prince Line, after the conversation with Mr. Daniels, to which he refers. The cable is as follows:

Private KNOTT,

Newcastle-on-Tyne.

Daniels, in testimony Thursday here, understands no written agreement between three Brazil lines now in force. Cable immediately whether agreement, February 14, 1908, terminated. If so, notify when, and by whom.

KIRLIN,

New Willard, Washington.

To which I have just received this reply:

KIRLIN,

New Willard, Washington:

As far as we are aware, agreement not been terminated except so far as pooling agreement and rebate system downward concerned.

There is no signature, but, of course, it is from Mr. Knott.

Mr. HUMPHREY. How did you happen to send that cablegram?

Mr. KIRLIN. Mr. Daniels asked me on the train what our understanding was as to whether this agreement, or any part of it, was still in force—this agreement No. 1.

Mr. HUMPHREY. Did he express the view that he was still uncertain whether that agreement was in existence, or whether it was binding?

Mr. KIRLIN. Oh, he said his understanding from his principal was that the agreement, not only the pooling agreement, but the other one also, had lapsed or were no longer in force, and these telegrams that were sent by us, as our client understood they were in force in certain respects. This telegram was sent in order to clear it up. I presume you do not care about having the document, do you?

Mr. HARDY. No; the copy of it is sufficient.

The CHAIRMAN. Mr. Daniels, is there any kind of arrangement, either in the form of written agreement or otherwise, between the Booth Line and the conference lines with reference to the Amazon trade? If so, what is that arrangement or agreement?

Mr. DANIELS. Nothing that I know of, sir.

The CHAIRMAN. Do the conference lines enter ports in the north Brazilian trade?

Mr. DANIELS. The conference lines come direct from Pernambuco or pass Pernambuco, which is the easterly, the farthest east, point on South America, on a direct short route through the West Indies to New York. The natural division with the ports above that is one of navigation. I was figuring only the other day for an excursion of the Boston Chamber of Commerce to let them stop at Para on their excursion, and I found it would take us nearly 800 miles out of our course, three days' steam to Rio de Janeiro; consequently it is a natural division, if you so understand; Pernambuco being the eastern point, the economical way to serve that trade is to make the route direct to that point and then turn, and from there down the coast ports are consecutive.

Mr. HUMPHREY. What port is that?

Mr. DANIELS. Pernambuco.

Mr. HUMPHREY. The one you said would be about——

Mr. DANIELS (interposing). Para, at the mouth of the Amazon.

Mr. HUMPHREY. How far do you say you figure it would be out of your way?

Mr. DANIELS. 800 miles. It is the two sides of a triangle, Mr. Humphrey. The base is the direct line, and the deviation is the two other sides of the triangle.

Mr. HUMPHREY. Is it not less than 400 miles in a direct line from the pathway of your ship down to Para, so that it would be less than 800 miles to sail directly down and then sail directly up again and pick up your passengers?

Mr. DANIELS. I shall be very glad to have our navigating office figure it out.

The CHAIRMAN. That is collateral to what I was asking the witness, and I do not care anything for it at this time. Now, the Booth Line does sail to north Brazilian ports, does it not?

Mr. DANIELS. The Booth Line serves the Amazon district and the ports on that little strip of South America adjacent to the Amazon and to the eastern extremity of South America.

The CHAIRMAN. And the conference lines from Pernambuco to points south, on the east coast of South America?

Mr. DANIELS. The conference lines serve from Pernambuco to Santos, from Santos to Rio Grande do Sul and Porto Alegre; that is another natural division of ports; they are all shallow-water ports, and a different class of boats has to do the business. In other words, our New York boats are too deep to serve ports south of Santos.

The CHAIRMAN. Understand, now, my inquiry is whether or not there is any understanding, directly or indirectly, between the conference lines and the Booth Line, that the Booth Line will not engage in the trade of South America south of and including Pernambuco?

Mr. DANIELS. I do not think there is any formal agreement. It is a natural sequence, but no formal agreement at all, Mr. Chairman.

The CHAIRMAN. You say any formal agreement. Is there any understanding between them that the Booth Line will not engage in that trade, and in turn that the conference lines will not engage in the north Brazilian trade?

Mr. DANIELS. There is no understanding more than a general commercial understanding that if we went out of our way to go into their territory, which would not be a business proposition for us to do on account of the deviation.

The CHAIRMAN. Lose sight of the commercial aspect of it. I want to know the facts. Is there any such understanding between you?

Mr. DANIELS. If there is such an unwritten understanding it is the growth of years. The Booth Line has served that territory for 40 years by themselves, and we have served our territory for 40 years, without clashing.

The CHAIRMAN. Have you said to them, "You keep off of our preserves and we will keep off of yours?"

Mr. DANIELS. Not to my knowledge has there been any such understanding.

The CHAIRMAN. Have you information to that effect?

Mr. DANIELS. No; I have no information of anything of that direct character.

The CHAIRMAN. You have no information that there is an understanding of that sort, a tacit understanding, have you?

Mr. DANIELS. No; but if the Booth company wanted to go to Pernambuco on one of the southern ports, I think by courtesy they would ask us if we had any objection to their landing at the port; in fact, they have done so in several instances.

The CHAIRMAN. And if they argued it in any way, you would find it convenient——

Mr. DANIELS (interposing). I think we have always said it did not make any difference as long as it did not establish any precedent.

The CHAIRMAN. You would find it convenient, then, would you not, to have your boats go to the north Brazilian ports?

Mr. DANIELS. Not unless we considered it to our advantage, or considered it an unfriendly act—their coming into our territory.

The CHAIRMAN. You would regard that as an unfriendly act, would you not?

Mr. DANIELS. No; we have allowed it. They can load for Parahiba. I think Bahia and Parahiba are only a few miles from Pernambuco. They can load from those ports, and we have loaded to them different times—the intermediate ports.

The CHAIRMAN. In recent years?

Mr. DANIELS. Yes.

Mr. AYRES. You said you made no objections, that you granted the permission if it did not create a precedent?

Mr. DANIELS. I mean by that, if we did not overlap.

Mr. AYRES. What you meant by not creating a precedent was that they should not continue the practice, was it not?

Mr. DANIELS. Yes; if they did not want some of our territory; yes, sir.

Mr. HUMPHREY. Why should they ask your permission?

Mr. DANIELS. I consider it common courtesy. We have been loading for 40 years in certain territories. If we want to go outside of the territory it would be common courtesy to ask the other lines.

The CHAIRMAN. You seem to have been mistaken this morning as to the conditions in the Brazilian trade.

Mr. DANIELS. No; I am not mistaken, Mr. Chairman.

The CHAIRMAN. As to the fact that this agreement of February 14, 1908, being now in force. May you not be mistaken as to the fact as to whether or not there is an express or an implied agreement between the Booth Line and the conference lines with reference to the north Brazilian trade?

Mr. DANIELS. I am not mistaken in my own position. My understanding is just as it was this morning, that the agreements are not in effect.

The CHAIRMAN. You and I construe these——

Mr. DANIELS (interposing). My information is from my principals. There may be a misunderstanding between them. My information is as I gave it to you this morning.

Mr. HARDY. When you gave permission to this Booth company to enter into your territory, the very request for the permission was implying an understanding or agreement, was it not?

Mr. DANIELS. Why, the fact we had been doing business side by side for so many years would naturally——

Mr. HARDY (interposing). Do you not rest in absolute assurance that these other two companies are going to respect each other's territory?

Mr. DANIELS. I should say so; most assuredly.

Mr. HARDY. That assurance has grown up through long practice, has it not?

Mr. DANIELS. Yes; of standing.

Mr. HARDY. Particularly such things as asking permission to go into ports in each other's territory?

Mr. DANIELS. Yes; I would not think of going into one of their ports without calling and asking them if they had any objections.

Mr. HARDY. You grant them that permission, providing it does not establish a precedent. That shows an understanding?

Mr. DANIELS. That showed they were coming into our territory.

Mr. HARDY. Does not this very act show a mutual understanding?

Mr. DANIELS. Yes; I consider such an understanding does exist from years of operation.

Mr. HARDY. And from mutual conduct?

Mr. DANIELS. From mutual conduct; yes, sir.

The CHAIRMAN. In other words, it has grown up into an understanding; that is, an unwritten understanding or agreement, growing out of the course of business through many years past?

Mr. DANIELS. That is the way I look at it, Mr. Chairman.

The CHAIRMAN. When Mr. Purcell was on the stand yesterday, also Mr. Hitch, they spoke of agreements between shippers and the conference lines, and one of those agreements was put in the record. You have agreements—I am speaking about the conference lines—with shippers, have you not?

Mr. DANIELS. You are speaking of the River Plate trade—contracts in the River Plate trade?

The CHAIRMAN. The Brazil trade.

Mr. DANIELS. I think we have. I do not think they were put in the record, Mr. Chairman. The one you have in the record is a Buenos Aires.

The CHAIRMAN. Yes; the one in the record is the Argentine; but are not similar agreements in force between shippers and the conference lines in reference to the Brazilian trade?

Mr. DANIELS. Not in the same form; no, sir.

The CHAIRMAN. But there are the same agreements between them?

Mr. DANIELS. No; I do not think in the Brazilian trade; we have specific contracts for cargo, but no similar contracts to those you have reference to in the River Plate trade.

The CHAIRMAN. Have you any contracts at all?

Mr. DANIELS. Yes; we have a number of contracts.

The CHAIRMAN. Are they in writing?

Mr. DANIELS. Yes.

The CHAIRMAN. Have you the form of that contract?

Mr. DANIELS. No; it is based on an exchange of letters.

The CHAIRMAN. You have no formal contract?

Mr. DANIELS. No; we have no formal contracts, so to speak, in the Brazilian trade, such as they have in the Plate.

The CHAIRMAN. Now, understand me, I do not want to play on terms.

Mr. DANIELS. No; you are quite right; I want to put it on a business basis.

The CHAIRMAN. You are a business man and you know the difference between a contract—a formal contract in writing—and an understanding made up by course of correspondence, and I want you to answer with that in view.

Mr. DANIELS. I am answering. The only difference between us is a little misunderstanding of the two characters of contracts.

The CHAIRMAN. Explain what kind of contract you have with reference to your shipments to the Brazilian trade.

Mr. DANIELS. In the Brazilian trade we have a contract for locomotives with the Baldwin Locomotive Works; we have a contract with the Singer Sewing Machine Co. for their goods; we have a contract with the Barbour Asphalt Co. for their goods; and we have a contract with the Rio Tramway Co. for their shipments.

The CHAIRMAN. Have you any contract with any other sewing-machine company for their goods?

Mr. DANIELS. I think not. I think there are a few others. There are those few contracts in the Brazilian trade.

The CHAIRMAN. Have you a contract with the New Home Sewing Machine Co. for their goods?

Mr. DANIELS. I think not.

The CHAIRMAN. Have you any with the International Harvester Co.?

Mr. DANIELS. No, sir; they do not ship to Brazil.

The CHAIRMAN. Have you a contract with the United States Steel Corporation?

Mr. DANIELS. We only have a specific contract for some specific line of goods. I do not know whether we have one running now. We have contracts for 25,000 tons of rails. We may have one now for 2,000 or 3,000 tons. I think that is the only contract on our record. The others have been fulfilled. We have car contracts.

The CHAIRMAN. Please explain to the committee the nature of those contracts. Take for instance the one with the United States Steel Corporation.

Mr. DANIELS. That would be a specific contract for a specific amount of freight at a specific rate. The last contract I have in mind was for 25,000 tons of rails.

The CHAIRMAN. You have no continuing contract with them, have you?

Mr. DANIELS. We have no continuing contract at all, sir.

The CHAIRMAN. You make a new contract to cover each specific shipment, do you?

Mr. DANIELS. No; we only contract for large quantities. If their shipments are small they pay the tariff rate, make a contract as I explained to you for berth boats, as they are loading with each line, separate contracts.

The CHAIRMAN. But for the large shipments you make them a special or a reduced rate, below the regular tariff rate, do you not?

Mr. DANIELS. No, sir. Take rails, there is not a fixed tariff; it fluctuates, but if we made a contract to-day with the steel company for 500,000 tons of rails, and anybody else had 100,000 tons of rails, we would make the same rate for the same contract. There is no discrimination.

The CHAIRMAN. There is no discrimination in favor of the large shipper as against the small shipper.

Mr. DANIELS. There is no discrimination in favor of the large shipper against the small shipper.

The CHAIRMAN. I understood you to say you had a contract with the Singer Sewing Machine Co.?

Mr. DANIELS. We have a contract with the Singer Sewing Machine Co. running, I think, through this next year, for all their goods, at a fixed rate.

The CHAIRMAN. Is not that a rate less than your regular tariff rate?

Mr. DANIELS. Have you the tariff before you here?

The CHAIRMAN. No; we have not.

Mr. HUEBNER. You did not send us the Brazilian tariff.

Mr. DANIELS. I think we did. Yes; I am sure we did.

At this point Mr. Huebner handed a paper to the witness.

Mr. DANIELS. This is not the one. Our contract is higher than those rates. If you will allow me to ask my colleague, Mr. Garhard—I do not think I remember exactly what the rate is. [To Mr. Garhard:] Was it 20 cents a thousand?

Mr. GARHARD. I do not know the present rate.

Mr. DANIELS. In any case, whatever contract we have with the Singer Sewing Machine Co. for the year is in the neighborhood of 20 cents.

Mr. GARHARD. It was made some time ago.

Mr. DANIELS. It is immaterial. I can look it up for you. We would give anybody else the same rate on a similar contract; no discrimination whatsoever.

The CHAIRMAN. Would you give the New Home Sewing Machine Co. the same rate that you give the Singer Sewing Machine Co.?

Mr. DANIELS. We would, for a contract; yes, sir.

The CHAIRMAN. Do you do it?

Mr. DANIELS. I do not know whether they ship by us.

The CHAIRMAN. What?

Mr. DANIELS. I do not know whether they ship at all, to answer the direct question; but any sewing-machine company could make a contract with us in the same way.

The CHAIRMAN. Could you ascertain and send us the rates charged the United States Steel Corporation and the Singer Sewing Machine Co.?

Mr. DANIELS. Yes, sir.

The CHAIRMAN. And the New Home Sewing Machine Co., if they do ship via your line?

Mr. DANIELS. Yes, sir; we will be very glad to do that.

The CHAIRMAN. These contracts by these various shippers with your lines bind them, or will you say, further, or not they bind them to use your line exclusively?

Mr. DANIELS. I think, again, that the Singer contract is for all of their shipments.

The CHAIRMAN. Will you be kind enough to furnish a copy of your contract with the Singer Sewing Machine Co.?

Mr. DANIELS. We will be glad to; yes, sir.

The CHAIRMAN. Also with the other companies to which you referred.

Mr. DANIELS. With pleasure.

The CHAIRMAN. I think, of course, we called for those, and you will see if you have them. I call your attention to the fact that this clause of the subpoena duces tecum reads:

And the said Lorenzo Daniels is hereby commanded to make diligent search for and produce any papers, data, or documents whatsoever in his possession, under his control, at his command, or that can be obtained by him, covering a period of three years next before this date, touching the following:

(1) Any agreements (originals, copies, or in the form of correspondence or other data) between the Lamport & Holt Line and any other steamship company or companies operating between (a) New York and Brazilian ports; (b) New York and La Plata, Montevideo, Buenos Aires, and Rosario, or between New York and any of these ports, and having for their purpose the fixing of rates or tariffs, the giving of rebates, special rates or privileges, the fixing of dates of sailing, the pooling of earnings or losses, the dividing of business or territory, or providing for the payment of deferred rebates to shippers.

We are speaking now with reference to New York and Brazilian ports.

Mr. DANIELS. We will be glad to send you a copy of the contract, but none of them correspond to that. We give no rebates, nor do we give any privileged contracts at all.

The CHAIRMAN. We would like to see a copy of the contracts; they will speak for themselves.

Mr. DANIELS. We would be glad to furnish them, sir.

Mr. STEPHENS. Mr. Daniels, is the contract with the Singer Sewing Machine Co. any less than the open rate that you have to pay on similar goods?

Mr. DANIELS. I tried to ascertain by looking at the tariff you have there—our present tariff is apparently changed. I think our contract and everything is higher than that.

Mr. STEPHENS. You can not answer that?

Mr. DANIELS. I can not answer that without looking it up.

The CHAIRMAN. I understand the tariffs you sent us are the tariffs in force now?

Mr. DANIELS. They were in force when we sent them to you.

The CHAIRMAN. Are they in force now?

Mr. DANIELS. Well, practically; we constantly change the different rates on different articles, and I will not be sure whether we made any change in the tariffs as a whole since the date we sent it to you. It is possible we have. I will be very glad to look that question up and advise you.

The CHAIRMAN. Well, is it not a fact that that same printed tariff is issued by the other conference lines?

Mr. DANIELS. The same printed tariff is used by all the lines; yes, sir.

The CHAIRMAN. And they are identical in form and in rates?

Mr. DANIELS. Identical in form and rates; yes, sir. They are further made up by a committee of the different lines revising them.

The CHAIRMAN. In conference?

Mr. DANIELS. In conference, as I told you this morning.

The CHAIRMAN. Where are they made up in fact, in London or New York?

Mr. DANIELS. The European tariffs are transposed to dollars and cents in New York.

The CHAIRMAN. But as they come to you from London they are in pounds, shillings, and pence?

Mr. DANIELS. Either that or they come to us from Germany. I think lately we are receiving them in the German language.

The CHAIRMAN. But you simply translate them into our terms?

Mr. DANIELS. To the equivalent in dollars and cents.

The CHAIRMAN. Otherwise they are fixed either in London or in Germany?

Mr. DANIELS. Yes, sir; we adopt the same rates.

The CHAIRMAN. Tell us a little more in detail the work of this committee—just what you do, and what your powers are, and all about it.

Mr. DANIELS. It is pretty difficult to convey to you very much of an idea, from the fact that it has not been necessary for the principals to come together for over a year. I have not attended a conference in a year. My colleagues make the reports of the amount of cargo—the division of contracts—and qualify in this work of adaptation of rates, etc. There is no discretionary powers in the New York conference that it has been necessary to act upon. I do not think we have any—we cable—

The CHAIRMAN. You say you have no discretionary powers?

Mr. DANIELS. Practically no discretionary powers.

The CHAIRMAN. You get your orders from the conference abroad?

Mr. DANIELS. From the conference abroad.

The CHAIRMAN. So that those cables come interchangeably to all the conference lines here?

Mr. DANIELS. They come to our conference office.

The CHAIRMAN. Yes.

Mr. DANIELS. We have a chap who circulates them around to the other lines, and if any one of the lines want to send a cable we generally send for him, and he takes our copy of it and submits it to the others for their approval and signature.

The CHAIRMAN. All of it is sent?

Mr. DANIELS. All of it is sent, so that we all know it comes through that way.

The CHAIRMAN. And when a cable comes from abroad it is treated by all conference lines jointly.

Mr. DANIELS. Yes.

The CHAIRMAN. Is it not also a part of the duty of this committee and conference to keep track of the traffic and distribute it as nearly as may be between the different conference lines?

Mr. DANIELS. No; we do not distribute the traffic at all in New York, except contracts that we have taken jointly, with a third liability to carry and transport.

The CHAIRMAN. Are there any contracts made with these shippers whom you have mentioned and others that are not joint contracts; that is, I mean joint on the part of the conference lines with the individual shipper?

Mr. DANIELS. Any contract that is made for a specific sailing, or up to a period of three months, within which period generally the boats are named; those contracts would be made, each line for its own steamer, irrespective of any other line. If it was an extended contract, or a contract in very large volume, where the other lines join, it would be made conjointly. A yearly contract, such as the Singer contract, covering a year, I think, is made conjointly—made by one in behalf of all.

The CHAIRMAN. Suppose there is a consignment via, say, your line and there is a loss in shipment—a considerable loss. Would that fall on your line alone, or the conference lines?

Mr. DANIELS. Absolutely on our line alone.

The CHAIRMAN. Each one—

Mr. DANIELS. Each one takes the profits and losses alone, individually.

The CHAIRMAN. I understood you, in answer to questions asked this morning by Mr. Humphrey, to say that American shippers receive the same treatment as European shippers, on the same class of goods; that there is no discrimination against our shippers and in favor of shippers of light goods, from Europe?

Mr. DANIELS. That is my understanding of the policy, and, furthermore, you will note that some of our rates—

The CHAIRMAN. I do not like you to use the word "policy"; state what the fact is.

Mr. DANIELS. That is the fact. We live up to it, and I also mentioned in the River Plata trade that our tariff was made up in conjunction with a committee from one of the shipper's associations.

The CHAIRMAN. We have correspondence, I will say to you, frankly, from the manufacturers of laundry machinery, also from exporters of locomotives, in which they complain against this alleged discrimination in favor of European manufacturers in the same class of goods, and by the conference lines.

Mr. DANIELS. Mr. Chairman, we have just as many complaints in Europe against what they call the "cheap rates" that we are carrying from America—many more complaints than come from America correspondingly the other way. I really think that we have been told that our rates on locomotives from America was much below the European rate. An instance like that at once causes a great deal of friction, and the European rate generally equalizes itself to the rate we give from here; sometimes it happens the other way.

Mr. HARDY. What do you mean by "generally equalizes"? If your rates were the same this rate sheet would show it to be the same, would it not?

Mr. DANIELS. Locomotives in the tariff take a special rate, the same as on rails, and this, that, and the other; but Europe is just jealous of our giving American shippers cheaper rates as the American shippers are jealous of our giving the European shipper the cheaper rates.

Mr. HARDY. I understand that, but how would it be that a rate on rails would be understood if you had such a question here. Would it not be apparent whether they were the same or not?

Mr. DANIELS. Yes; but rails and big classes of freight, like car materials and such things, run to 10,000 tons at a time, and that is an open rate and not in our tariff at all. It fluctuates and changes. If we change here for any reason or on any demand we would cable what the demand was on it for a rate here; if they changed on the other side we have instructions to give our merchants here the benefit of the change, if in their favor.

Mr. HARDY. As a matter of fact, you do not have any uniformity of rates on rails.

Mr. DANIELS. Rails and car materials, our tariff tells you—

Mr. HARDY. I thought you said as to rails there was no uniformity of rates.

Mr. DANIELS. Only from day to day; it is not in our printed tariff.

Mr. HARDY. So that if you ship 10,000 tons of rails this week to New York and 10,000 tons next week from Liverpool, the prices may be very different?

Mr. DANIELS. They may be higher or lower; England may be higher than New York or vice versa.

Mr. HARDY. So that under those circumstances you hold that the difference between the rates given in that do not show any difference?

Mr. DANIELS. Absolutely not. Our agreement with the steel company is that we will give them European rates from America.

Mr. HARDY. You have no European rates, have you; that depends on the particular transaction.

Mr. DANIELS. We cable.

Mr. HARDY. Then your company exercises discretion, if you have a big shipment in America or Europe, and charges either more or less.

Mr. DANIELS. They keep good faith, and nobody keeps better track of the situation than the Steel Corporation.

Mr. HARDY. They use discretion to charge more this week than last.

Mr. DANIELS. We have no discretion in the matter of those big contracts.

Mr. HARDY. Who does have the discretion—the rates are not fixed?

Mr. DANIELS. No; we cable each time for the rates, at least.

Mr. HARDY. The European people exercise the discretion to determine what your rates will be upon a shipment from this point, this year, or this week?

Mr. DANIELS. Yes; but they guarantee that the rates will not be higher than they are charging the same people on the other side.

Mr. HARDY. Suppose they have got no people seeking a shipment this week from Liverpool, but you have somebody from New York who wants a shipment of rails?

Mr. DANIELS. Those rails are all international shipments to Brazil or Argentina for 10,000 tons, and they always put the order into the international market where they can get it the cheapest.

Mr. HARDY. And still on that particular instance the European head center fixes the rates that you are going to charge on a shipment from here.

Mr. DANIELS. But the offices of all the South American railway companies, I am sorry to say, with the exception of one, possibly, are in Europe, and the steel company, when they make their bids on rails, make it to their London office.

Mr. HARDY. I understand your proposition is that a difference in rates do not show discrimination, because they are at different times.

Mr. DANIELS. No; there is no discrimination at the same time.

Mr. HARDY. We have got a shipment from Liverpool this week and a shipment from New York next.

Mr. DANIELS. If they are booked at different times the markets may be different.

Mr. HARDY. The rate of freight does not show any discrimination?

Mr. DANIELS. Absolutely none, at the same time any quotation would be made.

Mr. HARDY. You could not show discrimination, then. You might charge twice as much here and still it would not be discrimination?

Mr. DANIELS. No; it would be simply a fair quotation—a fair quotation on the day it was made to both parties.

Mr. HARDY. Under your idea, you could make your low-rate shipments all from Liverpool and your high shipments here from New York, and still there would be no discrimination?

Mr. DANIELS. The steel company takes jolly good care——

Mr. HARDY. Your principle would declare that policy and still there would be no discrimination?

Mr. DANIELS. It is an impossible position.

Mr. HARDY. But, if you did do it, it would be no discrimination under your testimony, would it?

Mr. DANIELS. Yes, but we have promised to protect these big people and give them the same rates that their competitors from abroad have.

Mr. HARDY. Under your testimony there is no discrimination, but that does not mean there is no difference in rates?

Mr. DANIELS. Only market differences, from day to day; that is all.

Mr. HARDY. Who could say that there was a discrimination if the rate here was 20 per cent higher this week on a shipment from New York than it was last week on a shipment from Liverpool?

Mr. DANIELS. Mr. Hardy, if the business would be sold—of course, no business in rails is sold one week and shipped the next. It takes the process of several months to roll them and make shipment. If a railway asked for a tender on, we will say, 10,000 tons of rails to be shipped in three months, the rates on that tender at the time the tenders were put in would be given the same from America as from Europe. If a week later another order came in the market—the market conditions vary either up or down, and the rate might be different from what it had been the week preceding, but still the parity would be maintained—the same parity of rate.

Mr. HARDY. You mean the Brazilian order is directed in such a way that you are required to give your rates both from North America and Europe on that shipment.

Mr. DANIELS. They go into the open market and get them from America, England, and Germany.

Mr. HARDY. Do they ever ask you the rates from both European and American ports?

Mr. DANIELS. Oh, no.

Mr. HARDY. When they have made a trade they have made it either with one or the other?

Mr. DANIELS. Yes; but tenders or quotations are made in advance of actual business. The business is generally sold on our quotations, and the tenders for business are put in on our quotations and refusal.

Mr. HARDY. Tenders put in by whom?

Mr. DANIELS. Put in by the steel sellers—the steel sellers from all parts of the world.

Mr. HARDY. You mean the railway company of Brazil will ask for an offer of rails?

Mr. DANIELS. The railway of Brazil advises buyers in Berlin or London, as a rule, which is where the railway owners are located and where capital is developing that country, when they want 10,000 tons of rails, and they will put the quotations to all rail manufacturers, asking them to make a tender or price.

Mr. HARDY. Both in Europe and in America?

Mr. DANIELS. C. i. f., which means cost, insurance, and freight. The people in Europe, a great many, will go to the German lines for a rate and refusal, good while that tender is in. The English lines will go to England offices and get a refusal; the American lines will go to American offices and get a refusal, and the manufacturers who come to us and ask a rate from America.

Mr. HARDY. Your statement is that you give the American seller and the English dealer and the German seller and the German dealer—

Mr. DANIELS. The same rate of freight.

Mr. HARDY. On that particular, specific proposition?

Mr. DANIELS. It is my understanding of it; yes, sir.

The CHAIRMAN. I want to ask a question in relation to this matter I was inquiring about. I have a letter in my hands, dated Cincinnati, Ohio, and signed by Leonard S. Smith, who is the vice president and

manager of the American Laundry Machine Co. (Exhibit No. 32), in which he states as follows:

EXHIBIT 32.

THE AMERICAN LAUNDRY MACHINERY CO.,
Cincinnati, Ohio, December 30, 1912.

Hon. J. W. ALEXANDER,
Chairman Committee on Merchant Marine and Fisheries,
Washington, D. C.

DEAR SIR: I have your esteemed favor of the 27th instant, inviting me to appear before the House Committee on Merchant Marine and Fisheries on January 7. I regret to say that at that particular time I have some very important meetings to attend that will make it impossible for me to accept your invitation. If it could be arranged for me to appear later, I would be very glad to do so; and if your committee is to remain in session up to the 15th, and it could be arranged, I would be very glad to appear and tell what I know in regard to these rates, based on actual experience that we had in the transaction referred to in my letter to Mr. Redfield. If, however, your committee will not be in session at that time and you wish the facts in regard to this transaction, I am very glad to give you the following statement:

Early in the year 1910 we sold a very large laundry outfit to some parties in Buenos Aires, who intrusted to us the buying of miscellaneous equipment that was not embodied in our manufacture, and included in this miscellaneous equipment was the power plant. One of the directors of the company that was buying the plant was the representative in Buenos Aires of A. Borsig, a large boiler and engine manufacturer of Tegel, Germany, a suburb of Berlin, and we were asked to take their figures in connection with others from manufacturers in this country.

When the first proposition was received from the company with whom we eventually placed the order we noted that it showed a freight rate on the two boilers that were embodied in the transaction of about \$750 freight from New York to Buenos Aires. We told the concern, who had obtained their rates of freight from the steamship line direct, that we thought they could do better on the matter of freight by taking the matter up with a firm of forwarding agents in New York, through whom we had arranged to ship our goods, and upon their doing so they received a price of \$493.36 for the carrying of these two boilers from New York to Buenos Aires. At the time the promulgated rate on these boilers from Hamburg to Buenos Aires was \$532.16, as we have since ascertained. The concern at Tegel quoted us a price on these boilers f. o. b. works, and then they quoted us a price for seaworthy packing and freight c. i. f. Buenos Aires per boiler of 800 marks, or 1,600 marks for the two boilers. This included seaworthy packing and the freight from Tegel to Hamburg or other German seaport and the ocean freight from the German port to the port at Buenos Aires and also the insurance. A total was then made of all the items embodied in their proposition, including a steam engine, that was asked for, the two boilers, the spare parts, etc., and a total was arrived at amounting to 32,825 marks, from which we were quoted a discount on the total of 25 per cent. This brought the cost of transportation, insurance, and seaworthy packing, which items we are unable to separate, down to \$285.60, basing the mark on the value of \$0.238. The weight of the two German boilers was given at 9,850 kilos each, making the total weight of the two boilers 43,380 pounds. The weight of the two boilers that were shipped was about 45,400 pounds. The fact that the promulgated rate from Hamburg to Buenos Aires on the boiler outfits as shipped would have been \$532.16 on the promulgated rates, as against \$493.36, which was exacted for carrying the boilers from dock New York to dock Buenos Aires, and the fact that the actual price quoted, including the inland freight in Germany and the cost of boxing for export, amounted to \$285.60, goes to show that the German shippers are enabled to obtain very large discounts on the promulgated rates, while the full rates are exacted from this country.

I have the correspondence before me treating on this subject, and if it will be of any advantage to your committee I would be very glad to turn it over to you, provided it is held intact and you will return it to me as soon as you have finished with it.

Very sincerely, yours,

LEONARD S. SMITH.

That is quite a difference—\$285.60, including packing, as against \$493.36. And he said, of course, the result was that he lost that business.

Mr. DANIELS. I should think from the letter you have read that the gentleman's division of the cost was entirely erroneous. He is obliged to accept the total cost with his discount, and then he figures out himself how he thinks it is divided. I think he has made a mistake. I think the man has made his reduction somewhere else, because all our understanding—and I am quite positive that Europe works the same as we do here—is that there are no discounts or deductions of that character from the agreed freight.

The CHAIRMAN. But you have said that all these tariffs are made up abroad; that the agents of the conference lines in America have no discretion in fixing the rate. These are English and German lines, and the rates are made by their representatives in conference in Europe, and yet you say you do not think they discriminate in favor of the European manufacturer as against the manufacturer in America, notwithstanding his statements here of an apparent discrimination.

Mr. DANIELS. I think that the English lines and the German lines—they are very large concerns; I think their word and their statement is above question. I think they treat the matter exactly as they state they had. I have perfect confidence in them, and people who are able to check the matter and have European offices, and who are really able to get at the gist of the thing, not taking our word for it, but satisfying themselves through the European offices that conditions exist such as we say exist, are satisfied. I think if that gentleman had an office in Europe he would probably understand the matter, as the European people would probably straighten him out on the matter entirely.

The CHAIRMAN. We have similar correspondence from the representatives of locomotive works in this country. We have similar correspondence from the American Locomotive Co., 30 Church Street, New York. The letters were addressed to Hon. William C. Redfield, Member of Congress from New York, who placed them in our hands, in which they complain of the same discrimination against them in favor of European manufacturers and of their efforts to get a rate that would permit them to compete with the European manufacturers.

Mr. DANIELS. The American Locomotive Works do their traffic management through the traffic department of the steel company, and I am very much surprised if they write such a thing, because they told us quite to the contrary from time to time. And, furthermore, the exports of American locomotives and American cars are very large.

The CHAIRMAN. I will call your attention to this language in the letter of February 19, 1912, signed by the manager of the foreign department of the American Locomotive Co., Mr. Charles M. Muchnic. The letter is addressed to Mr. Redfield, as I told you. It reads as follows:

Referring to our conversation of even date, I inclose herewith copy of correspondence exchange with the steamship company, also with the freight department of the United States Steel Products Co., relative to freight rates to Brazil. I think this correspondence will give you all the information you desire.

In this connection, I wish to confirm what I told you on several occasions, that the Steel Corporation has done more to keep the freight rates from the United States to foreign countries down to a reasonable figure than any other corporation or Government institution. The attitude of Mr. Farrell has been right along to have the steamship companies, which are either British or German, quote American manufacturers the same rates from ports in the United States to foreign countries as they quote to manufacturers of their own countries. Whenever the steamship companies refused to do so, the Steel Corporation chartered its own steamer and carried their own shipments and also those of other manufacturers. In doing this the Steel Corporation frequently incurred a loss on shipments carried for other companies. It is not the policy of the Steel Corporation to own or control lines except when it is forced to by the exorbitant and discriminating rates charged to American manufacturers. The steamship companies have taken advantage of this and disseminated reports to the effect that the Steel Corporation is carrying products of other manufacturers than from its own plants for the sake of obtaining the orders for the iron and steel that go into the manufacture of finished products. There is absolutely no truth in this and you can deny it unqualifiedly.

Then, on January 19, 1912, in a letter to Mr. J. J. Slechta, general agent, Lloyd-Brazilerio, 8-10 Bridge Street, city, the general manager of the foreign department says:

We do not ask you to quote us rates on locomotives that would be below your cost of transportation, but what we must insist upon from the steamship companies operating from New York to Brazil is to quote us such rates as are equal to the rates obtainable on locomotives from European ports to Brazil.

Now, the Lloyd-Brazilerio is an independent line. You say that there is no basis for that complaint on their part—this large exporter—they are not getting the same treatment as the European manufacturers?

Mr. DANIELS. We want to be perfectly clear with the committee so it can understand every deal. The American Locomotive Co. have, on several occasions, had contracts for the carriage of their locomotives with the lines on the same basis of the contract that we have had with the Baldwins, which you have asked me to submit to you. They have a habit when they tender on a big order to get it, and after they send two or three lots to withdraw from the contract and send it on their own boats of the steel company. And I think it has cost them more money than if they had stuck to their contract. They have also shipped by the Lloyd-Brazilerio, which company underbids us a fraction of a cent as a rule on business. And I think the gentleman testified here that even at those remunerative rates he lost a great deal of money in the business. But the steel company that the locomotive company say they deal through are perfectly satisfied that we keep our good faith in quoting equal terms with foreign people. And I can not understand, knowing that fact and making the statements that I do, that they can in any way go back on it. I would suggest that you call them down here and ask about it if necessary.

The CHAIRMAN. I believe you have agreed to furnish several contracts to which we have called attention?

Mr. DANIELS. Yes.

Mr. HUMPHREY. I desire to ask Mr. Daniels a little about European trade so far as his company is concerned. Are the rates between here and Europe, so far as your line is concerned, fixed in the same way as they are to South America?

Mr. DANIELS. The rates across the Atlantic?

Mr. HUMPHREY. Yes.

Mr. DANIELS. No; that is made in New York entirely.

Mr. HUMPHREY. Made in New York?

Mr. DANIELS. Yes.

Mr. HUMPHREY. By an agreement of the representatives of the conference lines?

Mr. DANIELS. No; we run to Manchester. We have no conference to Manchester. We have an agreement with the Manchester Line from Philadelphia, and the Manchester Line from Boston, on a few staple articles of minimum rates, with a differential in favor of Philadelphia. And we have adopted the European classification of all the large Atlantic lines, which is a printed book, a copy of which I sent to the committee here. The general rates of staples on the Atlantic between New York is entirely a question of barter from day to day. You get the highest you can; not the lowest.

Mr. HUMPHREY. So you have no agreement about freight rates between this country and Europe except on certain commodities?

Mr. DANIELS. Except on very few commodities.

Mr. HUMPHREY. What are those commodities?

Mr. DANIELS. I can only tell you offhand. I think they are lumber, possibly flour, which does not come through New York at all, and glucose, I think. I think I had better look it up and send you a list, Mr. Chairman. Offhand I am not well enough posted.

Mr. HUMPHREY. What line do you compete with to Manchester?

Mr. DANIELS. We compete with Philadelphia, Boston, and Montreal.

The CHAIRMAN. You will furnish us those rates later, will you not?

Mr. DANIELS. I shall be very glad to furnish them.

Mr. HUMPHREY. I mean what lines?

Mr. DANIELS. Oh, the Manchester liners from Philadelphia and Montreal and the International Mercantile Marine from Boston. I think that is all worth mentioning coming into our country at all.

Mr. HUMPHREY. Are those the lines that compose the North Atlantic conference?

Mr. DANIELS. They are all in the North Atlantic conference, yes; all the members of it.

Mr. HUMPHREY. I understood you a while ago that you had a contract with the Singer Sewing Machine Co., but that other shippers of sewing machines could send their product at the same rate if they so desired.

Mr. DANIELS. If they desired to contract.

Mr. HUMPHREY. If they desired to contract?

Mr. DANIELS. Yes.

Mr. HUMPHREY. What was the purpose of making that special contract with the Singer Sewing Machine Co.?

Mr. DANIELS. The Singer Sewing Machine Co. have a very large business in Brazil. This is Brazil we are speaking about, is it not?

Mr. HUMPHREY. Yes.

Mr. DANIELS. In Brazil. And they have sales agents who are making forward sales all the time, and they like to be able to make their sales on a fixed cost. A great many of their contracts are made with houses in Brazil by the year, they know the volume of their business, and it makes it a certainty when they have the transportation at a fixed rate.

Mr. HUMPHREY. And so, owing to the large amount of business, you are naturally anxious to get it?

Mr. DANIELS. We are naturally anxious to facilitate their business. We would get it anyhow, presumably, if there was no opposition.

Mr. HUMPHREY. They agree in their contract not to ship by any other lines?

Mr. DANIELS. No; they agree to give us all of their freight, Mr. Humphrey. It may be the same thing, but it is the same thing with a difference. If you will give me the questions without the answers tagged onto them we will get on very much quicker.

Mr. HUMPHREY. I have no objection to a discrimination if there is a difference. They may patronize the other line, but they must give you the freight.

Mr. DANIELS. They contract to do it.

Mr. HUMPHREY. What concessions do you give to them to induce them to do that?

Mr. DANIELS. We give them this yearly contract. That is all.

Mr. HUMPHREY. They get no advantage any other way?

Mr. DANIELS. They get no advantage any other way.

Mr. HUMPHREY. You are not giving them any lower rate than you are giving their competitors?

Mr. DANIELS. No lower rate than we are giving any other competitor that would want to contract. Let me put it that way.

Mr. HUMPHREY. Under that contract do you, as a matter of fact, carry the Singer sewing machines for less than you carry other machines?

Mr. DANIELS. If the market goes up we would be caught with a bad contract on our hands.

Mr. HUMPHREY. Yes; but you do not quite understand my question. We will take, for illustration, some other sewing machine, the Home or any other company. Unless they make a special contract you do charge them more, do you not?

Mr. DANIELS. Not necessarily. It all depends on the going tariff or the value of the service. If the market is going up or the rates go up.

Mr. HUMPHREY. Have you a contract with any other sewing machine manufacturer outside of the Singer?

Mr. DANIELS. To Brazil—I think not.

Mr. HUMPHREY. You have no agreement with any other that would come in competition with the Singer in your field?

Mr. DANIELS. I do not think so in Brazil. In the Plate I think there are others that have contracted.

Mr. HUMPHREY. The only other line to South America in the same trade as your line is the Prince Line, is it not?

Mr. DANIELS. The Lloyd Brasileiro are in the New York-Brazil trade—an independent line—and they quote cheaper freight than we do. We make no discrimination for anybody who wants to ship by them.

Mr. HUMPHREY. I have here a copy of the report of the hearings on House resolution 543, from which I will quote what purports to be your testimony. On page 597 Mr. Worthington asked this question:

What other lines are engaged in the same trade as the Lamport & Holt Line between New York and South America?

Mr. DANIELS. The only line is the Prince Line.

Is that correct?

Mr. DANIELS. That is a literally correct answer, Mr. Humphrey. The only line that was working on the same range of ports and the same general conditions all through as ours at that time was the Prince Line.

Mr. HUMPHREY. That is what I understood. Now, then——

Mr. DANIELS (continuing). And, if the chairman will allow me, in connection with this testimony of many years ago, which I understand has been a little bit criticized on account of his conciseness, you will recall that that committee was not investigating the shipping, but was investigating a complaint that was lodged with the members of this legislature against some outside interests, and when I appeared before the committee I thought they far exceeded the scope of the resolution. I had no advice that I was to be cross-examined on these various subjects by a lawyer on the other side until I got here. My answers are absolutely truthful, so far as they go. They do not go a bit further than necessary. We were advised over night by legal advice that the committee was exceeding the resolution by some considerable degree in asking such questions, and I partly challenged, and Mr. Gottheil, who followed me, challenged him completely on that. That is why my testimony before that committee was not more explanatory than it is, but it is absolutely truthful so far as it goes.

Mr. HUMPHREY. In this particular question, though the answer was correct, was it?

Mr. DANIELS. Absolutely, literally correct.

Mr. HUMPHREY. If they had not any authority to ask it, it would not make any difference?

Mr. DANIELS. The truth of the answer is absolutely correct.

Mr. HUMPHREY. The purpose in asking that question was this, and I assumed it was correct when I read it there—has not the Royal Mail recently acquired both your line and the Prince Line?

Mr. DANIELS. Not to my knowledge.

Mr. HUMPHREY. Haven't you heard that that is true?

Mr. DANIELS. Not to my knowledge.

Mr. HUMPHREY. I say, haven't you heard that that is the fact?

Mr. DANIELS. I have not heard.

Mr. HUMPHREY. You have never heard anything to that effect?

Mr. DANIELS. No, sir.

Mr. HUMPHREY. Of course, the purpose, you see, in asking that is apparent, because if they are the only two lines and they are both owned by the same company now, they could very well do away with any agreements.

Now, I want to ask you another question. You spoke about the rates being cabled from Europe to America and then you translated them into your money?

Mr. DANIELS. No, sir; I did not state that. I said the tariffs were mailed to us, not cabled.

Mr. HUMPHREY. Any way, they were translated then into our money?

Mr. DANIELS. Yes, sir.

Mr. HUMPHREY. Now, the complaint has been made that in the translating of those tariffs, so far as passengers are concerned be-

tween here and Europe, they always give the odd amount against the American passenger. In other words——

Mr. DANIELS. I have not said anything that has anything to do with passenger rates. Passenger rates are not sent out to us. Passenger rates are made in New York.

Mr. HUMPHREY. Wait until I finish my question. [Continuing.] And that in translating them they make the odd amount of money always against the American passenger, so that in the course of a year the Americans taking passage between here and Europe are paying something over a million dollars more for exactly the same service——

Mr. DANIELS. That is interesting.

Mr. HUMPHREY (continuing). That the foreigner gets. Now, what I wanted to ask you is whether in translating your freight rates you use the same method?

Mr. DANIELS. You have stated that they pay a million dollars more.

Mr. HUMPHREY. No; it is not my statement; I have seen it made. Do you deny it is true?

Mr. DANIELS. They do not pay a cent more. You can take the whole million off, the whole six noughts.

Mr. HUMPHREY. Do you do it in translating your freight rates?

Mr. DANIELS. Possibly, if there is half a cent difference we take the half cent, possibly not. I do not attend to the details in that respect.

Mr. HUMPHREY. This morning you submitted a prepared statement to the committee. I want to ask you whom you consulted in the preparation of that statement.

Mr. DANIELS. Nobody at all.

Mr. HUMPHREY. Not your attorneys, in regard to it?

Mr. DANIELS. They did not see it until on the train last night. I submitted it to them.

Mr. HUMPHREY. You prepared it without consulting anybody?

Mr. DANIELS. Yes, sir.

Mr. HUMPHREY. Now, then, I asked you this morning whether or not you did not testify before the Steenerson committee, which was in May, 1910, that you had no knowledge that there were any written agreements between the lines in the South American conference, of which yours was one, in regard to the fixing of freight rates.

Mr. DANIELS. Will you be good enough to give me the page and the paragraph?

Mr. HUMPHREY. I am going to do so. I want to put extracts from your testimony in the record. Therefore I wish, while you are present, to give you the page and read it to you. I will first read from page 599 [reading]:

Mr. WORTHINGTON. Have you, at any time, participated in conferences with representatives of any of these other lines for the purpose of arranging a schedule of rates?

Mr. DANIELS. There is no definite organization. If we are not quarreling with each other, which is often the case, there is a general understanding amongst the freight people that they will not make any cut in rates without advising the others. There is a friendly understanding.

Mr. WORTHINGTON. With whom, representing the other lines, do you have that friendly understanding?

Mr. DANIELS. With everybody, if we are on friendly terms.

Mr. WORTHINGTON. Take the Prince Line, for instance. With whom, representing that line, do you have any such friendly understanding?

Mr. DANIELS. It is generally done by the contracting men, the men who are engaging our freight. They do not cut each other unless it is necessary.

Mr. WORTHINGTON. What makes it necessary?

Mr. DANIELS. Sometimes one needs the freight, needs a cargo, and then they may make a reduction to get it.

Mr. WORTHINGTON. Is there any understanding in writing?

Mr. DANIELS. Not to my knowledge.

Mr. WORTHINGTON. Do you mean to confine that to your personal knowledge? You have been informed about it, have you not?

Mr. DANIELS. I do not think there is any such agreement in writing.

Mr. WORTHINGTON. Do you mean to say that you have not been told, at any time, that there is such an understanding in writing, or such an understanding arrived at in any way, between the Lamport & Holt Line, the Prince Line, and others, in regard to freight charges between here and South America?

Mr. DANIELS. I do not know of any.

Mr. WORTHINGTON. I did not ask you whether you knew of any, but whether you have heard of any?

Mr. DANIELS. I can only speak from my knowledge. I know of none.

Mr. WORTHINGTON. Do you mean to say you will not answer as to what you have heard?

Mr. DANIELS. I do not know that I have heard of any. I can only answer what I know. I know of none.

Mr. WORTHINGTON. I tell you that this committee has decided they have a right to ask what has been heard, so that they can trace it back. Have you not been informed that there is such an understanding and that it is in writing?

Mr. DANIELS. I don't know.

Now, I want to ask you some more about the South American trade in regard to the passenger business.

Mr. DANIELS. May I answer that record if it goes on the record?

Mr. HUMPHREY. Certainly.

Mr. DANIELS. I think the record is quite correct as I gave it at that time. I see no reason to make any change in it now.

Mr. HUMPHREY. That was in 1910, was it not? The date of your testimony as I have it here was, I think, the 19th of May, 1910; that is correct, is it?

Mr. DANIELS. I do not know what the date is; but if you have it there, that must be correct.

Mr. HUMPHREY. And the date of this Exhibit A is in 1908, I believe?

Mr. DANIELS. I believe that had expired the year before.

Mr. HUMPHREY. And you had never heard about it?

Mr. DANIELS. No; I knew it had expired.

Mr. HUMPHREY. If you knew it had expired, you had necessarily heard about it?

Mr. DANIELS. I believe the statement is correct with what was existent at the time, not past history.

Mr. HUMPHREY. I want to read further. I want to read from page 612, the bottom of the page [reading]:

Mr. WORTHINGTON. Do you know anything of any arrangement to which the Lamport & Holt Line is a party by which the moneys received from the carriage of freight either to South America or across the Atlantic are divided between the different companies in any given proportion or prearranged proportion?

Mr. DANIELS. I might answer no; but I think you are deviating very much, delving into matters that do not pertain to the inquiry.

Mr. WORTHINGTON. Do you mean that you decline to answer or you do not think it is pertinent?

Mr. DANIELS. The way you put the question I can not answer it; I do not know.

Mr. WORTHINGTON. You mean you do not understand the question?

Mr. DANIELS. No; I do not know anything at all about it.

Mr. WORTHINGTON. Have you heard anything about it?

Mr. DANIELS. No. And I furthermore think that this deviating so widely from the various points that we are prepared to answer down here is hardly proper.

Mr. WORTHINGTON. I will be quite frank with you, Mr. Daniels. I am asking you whether the information I have received is correct, that there is an arrangement between these lines generally which carry freight across the Atlantic Ocean that they divide up in certain proportions the proceeds among themselves?

Mr. DANIELS. I do not know of such an arrangement.

Mr. WORTHINGTON. Have you heard of it?

Mr. DANIELS. I have not heard of it. But on this line of questioning I think it is aside from the point.

Mr. DANIELS. I think that testimony as it reads in the present instance is as I answered. I presume you refer to the rebate that expired the year previous and was not in existence at that time. My testimony is absolutely correct.

Mr. HUMPHREY. Then, if you testified there that you knew of no written agreement between these lines with reference to the trade in South America, you were correct?

Mr. DANIELS. I was correct to the best of my knowledge and belief at that time.

Mr. HUMPHREY. And that, notwithstanding this other contract which a cablegram said a few minutes ago, your competitor still thinks is in force?

Mr. DANIELS. My information is that there is no agreement in force. I am only testifying to my own knowledge.

Mr. HUMPHREY. The question put to you there was whether you had heard that there was any written agreement between these lines running to South America.

Mr. DANIELS. My understanding was that there was not.

Mr. HUMPHREY. You answered "no," although you testified this morning that you knew of the existence of this agreement made in 1908 as soon as it was made or very soon thereafter.

Mr. DANIELS. But it had expired a year before this committee came together. I will repeat again that my testimony at that time was perfectly correct.

The CHAIRMAN. When you say "committee" you mean a congressional committee?

Mr. DANIELS. This committee on the lobby in Congress, or whatever it was.

Mr. HUMPHREY. I want to ask you a little further about passenger rates. What are the name of the vessels that carry passengers on the Lamport & Holt Line between here and South America?

Mr. DANIELS. May I submit our schedule, Mr. Chairman, giving the names?

The CHAIRMAN. Yes, sir.

The names of the vessels as given in the schedule referred to are as follows:

Vandyck, T. S. S.; Vauban, T. S. S.; Vestris, T. S. S.; Veronese, Voltaire, Vasari, Pascal, Phidias, Dryden, Archimedes, Euclid. Rossetti, Verdi, Canning, Siddons, Spenser, Raphael, Dettingen, Raeburn, Cavour, Eresham, Balaclava, Flodden, Colbert, Tintoretto, Titian, Thespis, Terence, Rembrandt Romney, Canova, Ville du Havre, Ville de Paris, Cervantes, Camoens, Sallust, Tennyson, Byron, Virgil, Horace, Chaucer, Hipparchus, Inventor, Kentmere.

Mr. HUMPHREY. Is the *Voltaire* one?

Mr. DANIELS. The *Voltaire* is one; yes, sir.

Mr. HUMPHREY. How does it compare with the other vessels in its accommodations?

Mr. DANIELS. The *Voltaire* is what we call a second-class boat. We charge a less rate of freight and a less rate of passage on her than we do on our larger and newer steamers.

Mr. HUMPHREY. What are the names of the larger and newer steamers?

Mr. DANIELS. The steamer *Vestris* is the newest boat. She has just come on the berth, and if you will refer to the Daily Consular Reports of January 3, 1913, the American consul at Rio writes:

The Lamport & Holt Steamship Co., that has for some years maintained a fortnightly service between New York and Brazil and Argentina, has placed a 12,000-ton steamer on the New York-Brazil route, which is equally as comfortable and modern as the ships running between Europe and Brazil. It is hoped that other ships of this character will be added to the service, as the passenger and freight traffic certainly warrant it; although there is little or no immigrant movement either way, such as there is between Europe and South America, and the question of return cargoes is more difficult than to Europe.

Mr. HUMPHREY. When did that vessel start running?

Mr. DANIELS. She started from Buenos Aires in September or October.

Mr. HUMPHREY. How many round trips did she make?

Mr. DANIELS. She is completing her first round trip now.

Mr. HUMPHREY. That is a new vessel. Have you any other of the same character?

Mr. DANIELS. The *Vasari*, which came on the berth two years ago, is a boat of the very highest type, and at that time was almost as modern as the *Vestris* is to-day. On the *Vestris* we had the pleasure of the company of Mr. Barrett and Mr. Lewis Nixon, and their opinion was that the boat was one of the finest that had come into New York in any trade.

Mr. HUMPHREY. How frequent sailings do you give now?

Mr. DANIELS. Every other Saturday.

Mr. HUMPHREY. What vessels do you use in making these sailings?

Mr. DANIELS. I have submitted the schedule.

Mr. HUMPHREY. Well, can't you tell me?

Mr. DANIELS. The *Vestris*, *Verdi*, *Vasari*, *Voltaire*, *Veronese*, *Byron*, and *Tennyson*.

Mr. HUMPHREY. Are the sailings of these vessels the kind of sailings fixed by the conference?

Mr. DANIELS. It is not fixed by the conference; it is fixed by the Lamport & Holt Line.

Mr. HUMPHREY. Without consultation with any other line?

Mr. DANIELS. I am quite positive without consultation with any other line.

Mr. HUMPHREY. You fix your freight rates independently?

Mr. DANIELS. I have already made that a matter of record, Mr. Humphrey. I have testified all the morning on that point.

Mr. HUMPHREY. Well, would it not have been just as easy for you to have said "Yes" or "No," as it would for you to have said that? Do you fix the passenger rate?

Mr. DANIELS. The passenger rate we fix independently.

The CHAIRMAN. But it is understood between yourselves and the other members of the conference that you shall maintain such a class of passenger service between America and Brazilian points as will prevent other competition?

Mr. DANIELS. Oh, no. That is entirely a private venture of the Lamport & Holt Line, the introduction of these high-class boats. It is a line they have built up after many years—we have been in the trade for 40 years, and we have built up this passenger service between here and South America until, as I just stated, our last ship is one of the finest ships that has ever come to or sailed from New York in all appointments. She cost about \$1,500,000.

Mr. HARDY. How does it happen that you have the same passenger rates between New York and Buenos Aires as the Lloyd Brasileiro?

Mr. DANIELS. When we first went into the business we took the rate then existing as a basis.

Mr. HARDY. You just make the same rate as the Lloyd Brasileiro has to New York, but you are doing it independently, nevertheless?

Mr. DANIELS. We take them as a guide in making our own rates.

Mr. HARDY. But you do ask the same rates?

Mr. DANIELS. We do ask the same rates.

Mr. HUMPHREY. Mr. Daniels, you still get within \$10, I believe you said, as much for carrying a passenger direct from South America to New York as the other line gets for carrying a passenger all the way to Europe and back to New York, although the distance is only about two-thirds?

Mr. DANIELS. Mr. Humphrey, there is an answer in the tail of each one of your questions. I explained very thoroughly this morning that the local rate between Southampton and Buenos Aires and the local rate between New York and Buenos Aires was practically the same.

Mr. HUMPHREY. What I mean to say is, a passenger in South America can buy a ticket to New York by way of Europe of the same class for about \$10 additional. That statement has been made, and I noted this morning where they were the same in respect to all these lines.

Mr. DANIELS. A passenger, if he bought a ticket from Buenos Aires to New York via Southampton, would pay \$10 additional over the rate direct from Buenos Aires to New York. I would be very glad to give you a printed schedule; it is all published.

Mr. HUMPHREY. I would be very glad to see them. There is very little travel from South America to this country as compared with the travel from South America to this country via Europe, is there not?

Mr. DANIELS. Oh, quite a good deal. Still, a good many tickets are bought that way. The *Vestris* can carry 250 first cabin passengers, 125 second, and as many steerage as accommodations may require. I hope to fill her, but I might say——

Mr. HUMPHREY. I wish you would give the committee the number of passengers that you have carried from South America to this country, and from here to Europe on a through rate, we will say, during the year 1911.

The CHAIRMAN. And 1912.

Mr. HUMPHREY. Of course in 1912 they got an additional ship and the statements might not all be made up. But I wish you would give that.

There is one other question I would like to ask him, Mr. Chairman. Does your conference make any attempt to monopolize the trade coming from South America to this country?

Mr. DANIELS. Do you mean freight or passenger?

Mr. HUMPHREY. I mean freight.

Mr. DANIELS. Freight trade. We do not attempt to monopolize it.

Mr. HUMPHREY. Well, is the trade between here and South America practically monopolized by the different conference lines, in your judgment?

Mr. DANIELS. It is not, by any means.

Mr. HUMPHREY. You consider that the trade between here and South America is practically what we call a free sea?

Mr. DANIELS. It is a free sea.

Mr. HUMPHREY. According to the report made by the Commissioner of Navigation during the year 1910, there was 901 entries of steam vessels in this country from South America, and 270 of them came to this country in ballast. Now, if it is a free sea, how do you explain that fact?

Mr. DANIELS. I would be glad to explain it to you, Mr. Humphrey. A great many of our boats come in ballast. There was not enough cargo coming forward to fill all the boats. We will take, if you like, the trade in sections. You have brought up the coffee trade with Brazil. The whole coffee trade with Brazil is not enough coffee to fill the number of boats that we have in the trade, and it is necessary for the regular lines, who have built up the trade, to get as much coffee as they can. From the River Plata the trade is in its infancy. When we started, a few years ago, we practically got no cargo and we took it at ballast rates—absolutely nothing; \$2 a ton, or something like that. That trade is gradually growing, but the character of exports from that country not such as will be imported into the United States until the Democratic Party (which I hope will happen) will break up the tariff and make it possible to bring meat stuffs and other products of the Argentine into the United States, in which case we will be able to use our boats and refrigerators, and so forth, and get some freight to make it worth while. But at the present moment it is worth nothing.

Mr. HUMPHREY. Now, take the coffee trade: What proportion of the coffee trade between Brazil and the United States is carried by vessels outside of the conference lines, excepting the Lloyd Brasileiro, which you claim is a competitor? Outside of that line, what proportion of the coffee trade between Brazil and the United States is carried by vessels outside of the conference lines?

Mr. DANIELS. I hope we carry all of it, because we have got to run our ships to make it pay. There is, however, one shipper who does not ship with us. That is Arbuckle Bros. Formerly they were our largest supporter. They received the largest concession of those shippers then, several years ago, and it is only within a very few months, as the records in the office of the district attorney of New York will show, that they stopped. They were negotiating with us—they were willing to give us all the coffee for our regular boats, if we would allow them a little concession more favorable to them than

the other shippers. We declined, and Arbuckle stopped. But I do not think they find it as profitable to ship coffee now, which is worth \$300 to \$400 a ton, and must be carefully handled—it requires boats to be constant and requires first-class service of every kind—as to ship through responsible, respectable lines, who will assure them, month in and month out throughout the year, regularity that will satisfy the necessities of the business, and make a mutual profit for both.

Mr. HUMPHREY. Is there any other coffee shipper, besides Arbuckle, who brings any coffee from Brazil?

Mr. DANIELS. I think there is.

Mr. HUMPHREYS. Outside of the conference lines?

Mr. DANIELS. I think so, outside of the conference lines.

Mr. HUMPHREYS. Do you know of any other vessels, besides the Lloyd Brasileiro's, bringing coffee from the Argentine to the United States?

Mr. DANIELS. The average boat is not qualified to bring coffee.

Mr. HUMPHREY. I am just asking you whether there is any boat which does.

Mr. DANIELS. I do not know; I have not kept a record.

Mr. AYRES. Mr. Daniels, I would like to ask you a question: If your line has been willing to make a special concession to such a firm as the Singer Manufacturing Co., why has it not been willing to make a special concession to other shippers of the same class of products?

Mr. DANIELS. We have not made any special concession to the Singer Manufacturing Co. which we are not willing to make to everybody else. We have made a contract for a period with the Singer Co. which we will make with everybody else shipping the same class of goods. We are willing to make a contract with Arbuckle Bros. for coffee upon the same terms that every other shipper from Brazil ships on, but we are not willing to make a discriminatory condition. It was not very much of a discrimination, but it was a different contract. It was nothing in the rate.

Mr. AYRES. What was it, may I ask?

Mr. DANIELS. It was just a little detail, something in the business.

Mr. HUMPHREY. Was it the rates?

Mr. DANIELS. No; they were willing to pay the rates for the service; the service was worth the rates. The reason they broke with us years ago was only because they had always enjoyed a rate in those days based on the amount shipped, and they were shippers of a million bags. But their business has since fallen off, I see, to 400,000 bags this last year. They have storage facilities down in Brazil, where they can store the coffee up and ship when the boat gets in occasionally. But when you count the storage cost on it of \$300 or \$400 a month I think Arbuckle would be getting a pretty good proposition if they would use our boats at the same rates we are carrying it out to-day. But we could not agree on any concessions that were not fair to the trade, and they declined to do it.

Mr. STEPHENS. Mr. Daniels, you state that you have a rate from Rio via Southampton to New York—a passenger rate.

Mr. DANIELS. Yes, sir.

Mr. STEPHENS. At about \$10 in excess of the rate from Rio to New York?

Mr. DANIELS. I think about that; very close to it, I know.

Mr. STEPHENS. Why do you make that rate?

Mr. DANIELS. Because the lines running to Southampton from Rio try to take the passengers to New York by that way at that low rate.

Mr. STEPHENS. And if allowed to do so they would interfere with your travel from Rio to New York?

Mr. DANIELS. We want them to stop interfering with the New York travel.

Mr. STEPHENS. But they would interfere with it if allowed to do what they propose to do?

Mr. DANIELS. Without retaliatory measures.

Mr. STEPHENS. It is because of the competition, then, that you make the rate you do from Rio to New York?

Mr. DANIELS. Yes; it is a losing proposition to-day, and is entirely due to the fact that some passengers who go from New York go a roundabout way.

Mr. STEPHENS. The traveling public, then, really reap the advantage because of competition?

Mr. DANIELS. I could hardly call it an advantage, because the people who go that way pay more money to go that way. They take 10 days longer time to go that way, and that is rather expensive. On the other hand——

Mr. STEPHENS. There would be considerable travel from Rio to Southampton and then to New York, anyway, would there not?

Mr. DANIELS. Yes.

Mr. STEPHENS. And in this way they are allowed the benefit of the reduced tariff?

Mr. DANIELS. They get a lower rate. As I say, there is a large triangle traveled on the part of the merchants to South America, because, naturally, they want to aid their British and German affiliations in business. We get it one way and then they come the triangle back.

Mr. STEPHENS. The traveling public is actually reaping the advantage because of the competition?

Mr. DANIELS. They are reaping the advantage in that way. On the *Vestris* we make a very cheap rate to try to induce travel. Although we have the best boat and we have a surplus of room, she is away ahead of her time, and we have got to develop gradually in the business; and to fill her we make a specially low rate to anybody who will make the voyage that way down, and in that way we are developing quite a good deal of tourist travel, which is practically unknown in that part of the world. In order to get the travel we are giving a special inducement there.

Mr. HARDY. Your idea of the trouble is that a good deal of the difficulty arises from the fact that they bring a good deal of the freight into this country over the conference lines?

Mr. DANIELS. What difficulty—in what respect?

Mr. HARDY. These empty boats—coming in ballast.

Mr. DANIELS. The imports from Argentina to New York are comparatively small as compared with the exports from New York to Argentina. I presume more than 50 per cent of the boats that go from New York to Argentina never come back at all.

Mr. HARDY. Because they get no load back?

Mr. DANIELS. There is nothing to bring.

Mr. HARDY. And you think that if we let in meat stuffs and other things that they will have something to bring back?

Mr. DANIELS. Business is bound to pick up, and the more business there is the more we will have to carry.

Mr. BURKE. Mr. Daniels, how do you expect that is going to affect the farmers?

Mr. DANIELS. The farmers' products are more valuable every day. It is a sort of thing that works out itself. It would reduce the cost of living a bit.

Mr. STEPHENS. Mr. Daniels, what is the first-class passenger rate from New York on this vessel?

Mr. DANIELS. \$150, I think.

Mr. STEPHENS. And what is the round trip?

Mr. DANIELS. We make a round-trip rate from Buenos Aires of \$300. I think to Rio it is \$225, or something like that.

Mr. STEPHENS. A reduction of about \$75?

Mr. DANIELS. Yes; it is a material reduction.

Mr. HUMPHREY. Right at that point, about the amount of shipping each way; while I am not in possession of the figures for the tonnage, and I recognize the fact that cargoes that come this way are more valuable, bulk for bulk, I do happen to have the figures of the trade for 1910, and I want to put them in the record. During the year 1910 all the freight to South America is given a value of \$196,164,786; and during that same period, from South America, \$92,295,218; so, in value, South America gets decidedly the other way.

Mr. DANIELS. Mr. Chairman, that includes coffee at \$300 a ton and rubber at \$2,000 a ton.

The CHAIRMAN. Mr. Sidney Story put those figures in the record, showing the balance of trade against us, and stating also that the merchants of South America would be very glad to trade out that difference with us.

Now take up the Argentine trade. We have spent, I think, enough time with the other. Mr. Daniels, will you state if your company at present or at any time within the last two years is or has been a party to any agreement or agreements or any understandings with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States and the East or ports in the Argentine?

Mr. DANIELS. We have no passenger understandings whatever. In freight we are, as I stated this morning, in accord with the other lines in the making of rates.

The CHAIRMAN. That would include the Lamport & Holt Line and the Houston Line?

Mr. DANIELS. Yes. 159.

The CHAIRMAN. Barber & Co.?

Mr. DANIELS. Yes.

The CHAIRMAN. The Norton Line?

Mr. DANIELS. I do not know how active the Norton Line is. I understand they are to some extent.

The CHAIRMAN. And the Prince Line?

Mr. DANIELS. Yes.

The CHAIRMAN. And the American or Plate Line?

Mr. DANIELS. Yes.

The CHAIRMAN. And the New York & South American Line? Those are the lines that are in the conference?

Mr. DANIELS. I think you have one line duplicated there, have you not?

The CHAIRMAN. The last line—that is the line of which Mr. Lyons is the agent?

Mr. DANIELS. That does not go to the Argentine proper. It touches occasionally at Bahia Blanca.

The CHAIRMAN. Yes; they go to Bahia Blanca.

Mr. DANIELS. The Grace Line, I think, go to Bahia Blanca occasionally.

The CHAIRMAN. The lines that I have named are in the conference and have the same rates to Argentine ports?

Mr. DANIELS. Yes; I should say so.

The CHAIRMAN. What are the rates on the return voyage?

Mr. DANIELS. From Argentina to New York?

The CHAIRMAN. Yes.

Mr. DANIELS. I could not answer that question; I am not familiar with that.

The CHAIRMAN. You do not know whether they have the same tariff on the return voyage or not?

Mr. DANIELS. They do not have the same tariffs entirely; it is a different cargo. Whether they have any agreements working I do not know.

The CHAIRMAN. Do they have any pooling arrangement on freight northbound?

Mr. DANIELS. That I do not know, but I do not think so.

The CHAIRMAN. Have they any rebating agreements?

Mr. DANIELS. I will have to answer that I do not know. I am not advised.

The CHAIRMAN. Do they pay shippers any deferred rebates on shipments like the shipments from Rio?

Mr. DANIELS. I am not very well posted on the northbound business from the Argentine. I think Mr. Houston, who will follow me on the stand, will be able to answer that question fully.

The CHAIRMAN. Are those arrangements between the several lines known as the conference lines in the trade with Argentina the same as between this country and Brazil?

Mr. DANIELS. You mean outward from New York?

The CHAIRMAN. Yes.

Mr. DANIELS. We just have an informal agreement to maintain rates.

The CHAIRMAN. Well, are those lines also members of this conference, and do they meet with you as members of the same committee in New York?

Mr. DANIELS. They have nothing to do with the Brazil part of it; but, as I gave you in a statement this morning, the representatives of the lines have weekly meetings, similar to the Brazil.

The CHAIRMAN. But their meetings are distinct?

Mr. DANIELS. The meetings are distinct, and they are in each other's office, in turn—something like that.

The CHAIRMAN. The representative of each line meets the representatives of the other lines in conference about how often?

Mr. DANIELS. About once a week.

The CHAIRMAN. And what are the subjects of those conferences?

Mr. DANIELS. They also make reports on the boats berthed, the amount of cargo contracted, and the contracts made. If any rates are to be made, they make the rates.

The CHAIRMAN. Are the rates made at the conference in New York, or are they, like the rates in the Brazilian trade, cabled from Europe?

Mr. DANIELS. The rates in New York are made in New York, through the lines that have their principal offices in New York—home offices.

The CHAIRMAN. So the New York-Argentine rates are made in New York?

Mr. DANIELS. They are made in New York; yes, sir.

The CHAIRMAN. And they are made in these conferences?

Mr. DANIELS. Yes.

The CHAIRMAN. What else is done in these conferences in addition to making these rates?

Mr. DANIELS. That is the business. Every line is on its own bottom, so to speak; they take their own earnings on their own lines.

The CHAIRMAN. There is no pooling of earnings?

Mr. DANIELS. There is no other agreement except a friendly maintaining of rates.

The CHAIRMAN. In this trade you have agreements with shippers, have you not?

Mr. DANIELS. We have agreements with shippers in the Argentine trade—contracts. They are not agreements, but contracts with shippers.

The CHAIRMAN. Do you mean contracts in writing?

Mr. DANIELS. Contracts in writing with shippers.

The CHAIRMAN. With what parties?

Mr. DANIELS. I beg pardon?

The CHAIRMAN. Name the particular parties with whom you have contracts in the Argentine trade.

Mr. DANIELS. Each line has their own contract in the Argentine trade. I speak for the Lamport & Holt Line. We have contracts with the J. I. Case Co., John Dunn Son & Co.—

The CHAIRMAN. The J. I. Case Co.—is that the plow company?

Mr. DANIELS. The thrashing machine company. And we have quite a number of similar contracts. I do not recall their names.

The CHAIRMAN. Are those contracts on the part of shippers made with your company or with the several companies in the conference? Are they joint contracts on the part of the conference lines?

Mr. DANIELS. They are not joint contracts. They are made; each line making its own contract and assuming the liability for the carrying out of that contract; but they have the privilege of shipping by other steamers than their own.

The CHAIRMAN. In other words, while the contract is made, for instance, with the Lamport & Holt Line, yet it is understood they may ship by any one of the conference lines?

Mr. DANIELS. If the shipper wants to and the conference line will take the goods.

The CHAIRMAN. Do those contracts permit them to ship by any other line than the parties in the conference?

Mr. DANIELS. Most of the contracts, I think, read—you have one in the record, have you not? It is in the record of yesterday—Arkell & Douglass. If you will let me have that I can explain more properly.

The CHAIRMAN. I simply want to refer to it and have you verify it.

Mr. DANIELS. This is a contract made with the Houston Line, incorporated in yesterday's record, and reads that "Shipments shall only be made by steamers designated by R. P. Houston & Co." I presume our contracts have much the same phraseology, although I do not think they are identical, except in purpose.

The CHAIRMAN. You have the contract before you. Does it not provide that the parties named there as the shippers shall give all their business to the conference lines?

Mr. DANIELS. The contract reads:

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. Arkell & Douglas (Inc.), estimated to amount to about ——— tons from New York to the River Plata ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

The CHAIRMAN. Well, "steamers"—that refers to individual steamers, not to the lines, does it not?

Mr. DANIELS. Individual steamers of their line or any other steamer they might name.

The CHAIRMAN. In the conference?

Mr. DANIELS. That does not say so; but it would be implied. They would not go outside of their friendly arrangement.

The CHAIRMAN. Does not "friendly arrangement" mean the terms of the conference?

Mr. DANIELS. No; because our line is not responsible for the contract, and the Houston Line have not the privilege of naming our boats unless we wanted that specific boat to take the freight.

The CHAIRMAN. You tell the committee now that these parties give that contract for the privilege of shipping by any one of the conference lines or by any other lines at will?

Mr. DANIELS. No; they have not.

The CHAIRMAN. They have not?

Mr. DANIELS. In our own case we have had the question raised several times where people have tried to get the benefit of contract rates when we did not have the space, and were charging higher, and when the parties did not have any liability under that contract, nor have the other lines any liability or responsibility other than is voluntary under our contracts.

The CHAIRMAN. But you do recognize——

Mr. DANIELS. As a custom, unless there is some reason to the contrary, the shippers ship by what steamers they like, because the rates are about the same.

The CHAIRMAN. When you do say "steamers" you mean lines in the conference?

Mr. DANIELS. Yes.

The CHAIRMAN. And you have an understanding between yourselves that while they may designate, for instance, the Lamport & Holt Line, they may, if they desire, ship via a steamer belonging to one of the other lines in the conference, yet as between yourselves you are mutually responsible.

Mr. DANIELS. No, sir; we are not responsible. The only agreement we have in the Plata trade, as I mentioned, is the maintenance of rates. We have no other agreement regarding any joint responsibility or anything else, unless we bind or contract ourselves as joint contractors. We have a contract with the Standard Oil Co., made by the Barber Line, I think, where all the lines and the amount that each of them shall carry is named, and we are each responsible. I think this contract is the only one; that is, to my knowledge, there is only one.

The CHAIRMAN. Will you furnish us a copy of that contract?

Mr. DANIELS. It is with Messrs. Barber & Co. I will try to get it; if they will give it to me I will furnish it to you.

The CHAIRMAN. We have copies of the other contracts.

Mr. DANIELS. I can furnish copies of them; we are parties to it, and we will be glad to do that.

The CHAIRMAN. I will be glad to have you make a note of that and furnish it to the committee. Are any vessels outside the conference operating between Argentina ports and New York?

Mr. DANIELS. I do not think there are. I think that—unless you mean whether the Norton lines consider themselves in the conference or not. They operate a steamer to the south. I think the other boats that are operated outside the regular lines have been mostly to Brazil. I do not think they have gone through to the Plata, although there may have been some which have gone.

The CHAIRMAN. What are the relations between the Norton Line and these other lines in the conference?

Mr. DANIELS. The Norton lines do not attend the conference meetings of rate clerks.

The CHAIRMAN. They have the same rates, however, as the conference lines, have they not?

Mr. DANIELS. I understand that they maintain practically the same rates; yes, sir, although I think occasionally they slip a bit.

The CHAIRMAN. Is there any understanding between you that they shall maintain the same rates?

Mr. DANIELS. I do not think there is a definite understanding, sir.

The CHAIRMAN. Well, I do not care how "definite" it is. Is there any understanding?

Mr. DANIELS. I should say no. There used to be an understanding, they were members of the conference until recently. I presume, unless they maintain the rates and there was any cause—

The CHAIRMAN. When did they get out of the conference?

Mr. DANIELS. About a year ago—I do not think they have been in the conference for over a year.

Mr. AYRES. And what was the reason for that?

The CHAIRMAN. I wanted to ask why they got out?

Mr. DANIELS. They are managed in New York; I do not know the reason. They never gave it.

Mr. AYRES. Did not they assign any reasons at all?

Mr. DANIELS. No.

Mr. AYRES. You had very friendly relations, and they withdrew without assigning any reasons?

Mr. DANIELS. They stopped coming to any more meetings.

Mr. AYRES. Cut it off?

Mr. DANIELS. Cut it right off.

The CHAIRMAN. Are the relations just as cordial as when they were in the conference?

Mr. DANIELS. Practically. We do not mind taking a little freight from them if we can get it. I think I took their largest contract away from them not long ago.

The CHAIRMAN. Who was the secretary of the Brazilian conference?

Mr. DANIELS. Mr. Goodwin.

The CHAIRMAN. And where did the conference meet in New York?

Mr. DANIELS. We have an office in the Produce Exchange. I think it is 214, the same as registered in this old——

Mr. GARHARD. 326, on the main floor.

The CHAIRMAN. Where?

Mr. GARHARD. 326.

Mr. DANIELS. That would only be on another floor; I do not remember the number.

The CHAIRMAN. Where do the conference in the Argentine trade meet?

Mr. DANIELS. They meet generally at the different line offices.

The CHAIRMAN. Who is the secretary of that conference?

Mr. DANIELS. There is no secretary of that conference.

The CHAIRMAN. Is there a record kept of your meetings?

Mr. DANIELS. No; just a memorandum is made by whoever is present about the reports from the other lines.

The CHAIRMAN. Does your line go to Bahia Blanca?

Mr. DANIELS. We have gone there; we go there very rarely.

The CHAIRMAN. What other lines go to the Bahia Blanca?

Mr. DANIELS. It is a port that those main Plata lines call at very irregularly. I think that practically all the boats send a steamer there possibly once a year, and in addition to that I think the two west coast lines stop at Bahia Blanca.

The CHAIRMAN. Is there any arrangement between the conference lines that the New York and South American line shall go to Bahia Blanca only?

Mr. DANIELS. I think not. I never come in contact with them at all, in fact. I do not know.

The CHAIRMAN. Have you any agreement with the New York and South American Line with reference to rates?

Mr. DANIELS. Not to my knowledge.

The CHAIRMAN. The rates furnished the committee, I will say, on all commodities in every instance show that their rates are just 2½ cents less than the conference lines' rates.

Mr. DANIELS. The rates via the South American Line?

The CHAIRMAN. To Bahai Blanca.

Mr. DANIELS. To Bahai Blanca—we have only had one steamer there in a year, and I am not very familiar with the trade. That will show very conclusively that we had no agreement, would it not?

The CHAIRMAN. No.

Mr. DANIELS. I do not even know.

The CHAIRMAN. Is there an agreement that there shall be?

Mr. DANIELS. No agreement of that kind. We could not commit that anywhere; that would take all our business away in time.

Mr. STEVENS. Mr. Daniels, you said that representatives of the conference lines meet once each week?

Mr. DANIELS. In the River Plata trade?

Mr. STEVENS. Yes.

Mr. DANIELS. Yes, sir.

Mr. STEVENS. And in the Argentine as well.

Mr. DANIELS. The Argentine is the River Plata, you know.

Mr. STEVENS. In the Brazilian and River Plata?

Mr. DANIELS. They are different trades entirely, and different people, but practically the same method of meeting.

Mr. STEVENS. And you also give the purposes for which they meet. In pursuing that purpose, into what details do the representatives go?

Mr. DANIELS. In the Argentine?

Mr. STEVENS. Either in the Brazilian or the Argentine—say the Brazilian.

Mr. DANIELS. The Brazilian simply file statistics regarding the boats that are loading, the amount they have, the way the joint contracts are being handled, and recording any contracts that may have been made.

Mr. STEVENS. They file a statement, then, of the amount of tonnage that they have contracted for that particular shipment and the rate.

Mr. DANIELS. Not the rates; just the tonnage.

Mr. STEVENS. The tonnage and with whom the contracts have been made.

Mr. DANIELS. No. Supposing you had a 6,000-ton boat sailing in three weeks and you had 4,000 tons of cargo booked for her. You would simply record that such and such a boat would sail on such and such a date and had 4,000 tons booked. That would leave her 2,000 tons of space to fill.

Mr. STEVENS. Nothing else is given in that?

Mr. DANIELS. No; that is practically all that is given—just a little two lines.

Mr. STEVENS. For what purpose is this schedule? Or these facts given to your secretary?

Mr. DANIELS. Just so that——

Mr. STEVENS. To keep each other from encroaching on the other's field.

Mr. DANIELS. And to keep them advised as to the amount of tonnage. If the berth is in the present Brazil berth our contracts are in excess of our tonnage, and we have had to put on some larger boats and some extra steamers to carry more, and, unfortunately, they are losing contracts, and we are not very keen on carrying out our share of it.

Mr. STEVENS. Does this meeting frequently take place because of a desire to divide more or less equally the amount of tonnage?

Mr. DANIELS. No; only the joint contracts are divided, the ones we have underwritten jointly. The amount of tonnage, as I have said before, we are quite a small factor during the last year in the Brazil trade, and we have carried very little compared with what the German lines have, and I think the Prince Line has carried more than any of them.

Mr. STEVENS. Have you made more money by doing that or less?

Mr. DANIELS. We have not had the steamers. We have allowed our passenger boats on the way to the Plata to stop there and take a thousand tons or 1,500 tons of cargo, and then go on to the river.

Mr. STEVENS. You desire the passenger traffic?

Mr. DANIELS. At the time we were devoting ourselves to the passenger boats—doing two services with the same boats.

Mr. STEVENS. Is it more profitable to handle the freight?

Mr. DANIELS. No; I am sorry to say that the passenger traffic we have hopes for; it has got to be developed, and we have got to create it.

Mr. STEVENS. Why did you give up your profitable freight business, your share or any part of it, and take up the passenger end of it, if it was not profitable?

Mr. DANIELS. Well, our freight, what we do carry, is quite profitable because we get the better class. Our boats are both very large—10-000-ton boats—in Brazil, but we carry through to the Argentine. The bulk of the cargo is for the Argentine, and only a small portion for Brazil. Consequently our ratio in the Brazil trade is comparatively small.

Mr. STEVENS. What was the speed of those larger boats?

Mr. DANIELS. They are capable of making 16 knots. We run on a 13-knot schedule.

Mr. STEVENS. Is not one of the purposes of that conference and your conference meetings to divide in somewhat equal portions the tonnage from here there?

Mr. DANIELS. No; the trade is not divided in proportion to the tonnage. There was an old arrangement regarding the number of ships dispatched, but if a ship went with a thousand tons she is counted a ship just as much as one of 6,000 tons capacity.

Mr. STEVENS. Is one of the purposes, then, to in some way divide the profits of that trade?

Mr. DANIELS. No; there are no profits; each line takes its own earnings.

Mr. STEVENS. Then, what reason do you meet for?

Mr. DANIELS. We have these joint contracts to carry forward, and we are also interested in the future growth of the trade. It is growing very fast, and we have to make our provisions for that and keep intelligently posted; that is the real object of the meeting.

Mr. STEVENS. Is it not true, Mr. Daniels, that by these conference meetings and by the assembling of the representatives of the different conference lines, and the going over of the details of the contracts, you get the amount of tonnage secured, that you can in the end derive larger profits than if you did not have those meetings?

Mr. DANIELS. We save the waste of pulling against each other by pulling together. As I explained this morning, if there was a very little cargo or too bulky scheduled for the same port in the same week or within a few days of each other, and a very little cargo jointly for that port, one line or both of them cable to their owners asking one line be given a transfer and withdraw, and save the necessity of that call. One boat would do the service just as well, and we have to provide reserve tonnage in the different lines for those contracts we are interested in jointly. One line will make a contract and see that it is carried out, and the way it sees best is carried out by conference around the table, the way you gentlemen are assembled here.

Mr. AYRES. Mr. Daniels, in a case like that, where freight is offered two or three different lines, and one of those were not enough to fill both boats, as you say, and when that boat is withdrawn, is that freight all shipped in the first boat out, or is it held back for the other boat?

Mr. DANIELS. Oh, it is all sent right out for the advantage of the trade.

Mr. AYRES. In one boat?

Mr. DANIELS. Yes, indeed.

Mr. AYRES. In a case like that, your line is offered some freight and the Prince Line is offered some freight, and you withdraw one of your boats there or they withdraw one of their boats, and all the shippers send their stuff on that line; how would that be filled?

Mr. DANIELS. All direct—by direct freight, simply turn them over to the boat scheduled for the port.

Mr. AYRES. And they would conduct the entire business?

Mr. DANIELS. Yes.

Mr. AYRES. And bill for the freight.

Mr. DANIELS. Yes.

Mr. AYRES. And collect for it and take the entire profits?

Mr. DANIELS. Yes.

Mr. AYRES. Simply turn it over to them?

Mr. DANIELS. Turn it over to them.

Mr. AYRES. This seems to be a philanthropic scheme?

Mr. DANIELS. No; I can tell you the other that unfortunately we found that one of our passenger boats was very much overloaded, to make call and get dispatch before needed. And we were very glad to get rid of some of our intermediate freight—freight offering for the terminal where we stopped. We found one of the Prince Line boats loaded up, or largely loaded up, waiting for a contract of cars to arrive on the railway, and we switched over this entire cargo, telegraphed and got the consent of the owners and thereby saved a wait of half a dozen days, and we accomplished our dispatch on the coast, which was very essential, and we satisfied the shipper who got his goods all at the same time. That is how the economy is effected, and that is the object of our working in harmony.

Mr. HARDY. Mr. Daniels, I would like to ask you some questions on a different line than that, if these gentlemen are through?

The CHAIRMAN. Yes. The committee have evidence that there is a written contract between these conference lines in the trade between Argentina and Europe, embodying rebate provisions. What do you say as to the existence of any such contract?

Mr. DANIELS. I think it more than likely. I have never seen any of the details, but I do not know anything about it.

The CHAIRMAN. Embodying the rebate provisions and the conditions upon which shippers may obtain these deferred rebates?

Mr. DANIELS. You mean from Argentina to Europe?

The CHAIRMAN. Yes; and vice versa.

Mr. DANIELS. And vice versa. I am quite satisfied that such is the fact, and such is also according to the laws of both the countries where they operate.

The CHAIRMAN. Your firm and the Houston, the Prince Line and the Hamburg-American, and the Hamburg South American Lines are all parties to that agreement?

Mr. DANIELS. You mean abroad?

The CHAIRMAN. Yes. Now, then, have you not an understanding between yourselves that that agreement shall be in force as between you and the trade between South American ports and the United States?

Mr. DANIELS. Why, I do not think so at all. In the first place—

The CHAIRMAN. And have you not been advised by counsel that on account of the Sherman antitrust law, the possibility of liability under its provisions, it is best not to have that agreement in writing?

Mr. DANIELS. No, sir; absolutely not. I am trying—

The CHAIRMAN. Have not you had advice to that effect?

Mr. DANIELS. No, sir; not at all—not at all, and we never had the case up—never had occasion to raise it. I am answering you to-day as broadly as I can. It is for our interest to clear this matter up and all matters, sir. I am answering just as broadly as I can.

The CHAIRMAN. I am assuming that you are. I wanted to cover the whole ground, so that if a condition does exist there will be no loophole for you to escape; that is all.

Mr. DANIELS. It does not exist at all to my knowledge.

The CHAIRMAN. I assume this whole matter will be threshed out in the suits pending in the United States and possibly elsewhere.

Mr. HARDY. You mean your company has no rebate arrangement from Argentina to New York?

Mr. DANIELS. Not to my knowledge—they have no such agreement. That European agreement, I am quite positive, could not be applicable north bound, but whether they have an agreement in the north-bound trade in which they are only—I do not think there are but three lines running north—our own lines coming back; same of the Houston Lines, same of the Barber Lines, and the Norton Line. The Prince Line and the other lines do not come back at all.

The CHAIRMAN. Your line, you think, does have the rebate agreement as to trade between Argentina and Europe?

Mr. DANIELS. I think it very likely. I have never known about it, but I think it is more than likely; I feel almost sure they have.

Mr. HUMPHREY. Mr. Daniels, speaking of only the one or two lines coming directly from—where were you speaking of—from Rio de Janeiro?

Mr. DANIELS. No, sir; from the Argentine ports.

Mr. HUMPHREY. I wanted to ask you about this. I have here a copy of a letter that was written from Rio de Janeiro on July 14, 1911, by a Mr. S. Schaefer to Mr. George W. Gittins, of New York, in which this sentence occurs, and by isolating it it does not isolate the sense in any way. That is the reason I do not read all of it. It reads:

And please do not forget that the Lamport & Holt Line is the only shipping company here with whom you can possibly ship goods to Rio de Janeiro. If you would ship with the Lloyd or with other companies, the delay would be twice or three times more.

He has been complaining in this letter about delay in getting his goods unloaded. What advantages have you in the way of unloading down there, if any, that makes him say that?

Mr. DANIELS. We spend the money that is necessary to accomplish the purpose.

Mr. HUMPHREY. Then his statement, while not literally correct, is practically correct when he makes that assertion?

Mr. DANIELS. Our steamers run on a schedule and give the best service; and, as I have already said, it costs us a good deal of money to do so.

Mr. HUMPHREY. I desire to ask you another question. What do you say of the shipping facilities that are furnished between this country, both for mail, freight, and passengers direct, as compared with the facilities that are furnished to Europe? In other words, are we at an advantage or disadvantage in these matters with Europe in reaching the trade in South America so far as shipping facilities are concerned?

Mr. DANIELS. So far as shipping facilities of freight go there has never been any shortage of tonnage. The tonnage has always been ample for the amount of freight offering. Our passenger service every fortnight runs to Rio and the Argentine, according to our schedule, within 24 hours of the fast service from Europe. The only trouble is that we have not enough business.

Mr. HUMPHREY. How is it about the mail service?

Mr. DANIELS. The mails go from here by our boats within 24 hours, with the same speed that they go from Southampton by the fastest boats.

Mr. HUMPHREY. How would you say the mail service compares between this country and South America and between South America and Europe?

Mr. DANIELS. Except for the frequency—the European business, of course, is larger—the mail service is just as fast, and everybody seems to be satisfied.

Mr. HUMPHREY. How about its frequency and regularity?

Mr. DANIELS. The regularity is without question. We have not had a slip up on a sailing for years. Its speed is, as I say, within 24 hours of the fast boats from Southampton.

Mr. HARDY. You think it is a mistake, then, to imagine that a man at Buenos Aires could not get back to the United States comfortably without going by Europe?

Mr. DANIELS. We carry about all that go, and I could give you testimonials by the hundreds.

Mr. HARDY. You have seen a great many statements to that effect, have you not?

Mr. DANIELS. Statements without the people who make them coming forward.

Mr. HARDY. Your statement is that the method of communication from the Argentine to New York is about as good practically as it is from the Argentine to Southampton?

Mr. DANIELS. I can not say that, because at Southampton they have two or three big lines that run across the Atlantic, and their travel amounts to the thousands.

Mr. HARDY. It is not as frequent, but it is regular—your line?

Mr. DANIELS. It is regular. We have three of our boats that are first class, which can be compared with the best steamers.

Mr. HARDY. I believe you said you had one vessel that was as good as anything on the water down there?

Mr. DANIELS. I not only said so, but the consul general at Rio said so, and prominent men here in Washington and in New York have said so.

Mr. HARDY. So a man can get back from Buenos Aires to New York without going to Southampton if he desires to?

Mr. DANIELS. For a great many years the majority of the trade traveled back and forth that way.

Mr. HUMPHREY. The conditions of which you speak are practically the same as they have been for the past four or five years, are they not?

Mr. DANIELS. We carry practically 90 per cent or more of the travel, and the other percentage that goes by Europe; most of them would go that way anyhow for business reasons or because they wanted to do their shopping abroad, or because they want to go with the crowd.

Mr. HUMPHREY. When you were before the Steenerson committee and were asked the same question you stated at that time that the service was practically as good, with the exceptions which you have named, as it was between here and Europe, did you not?

Mr. DANIELS. The European service has constantly improved; so has our service from New York by the addition of new steamers.

Mr. HUMPHREY. You said that statements had been made without giving the names of the persons, so I want to read into the record a statement or two, and will give the names of the gentlemen who made them. I will read parts of them. The first one is made by Mr. I. E. Moses, one of the leading citizens of Seattle, Wash. It was made under oath before that committee. Here is a part of what he said:

I have here a list of the ships arriving and the ships sailing from Buenos Aires that I cut out of the newspaper there. For the last day of April and the month of May there were 38 mail steamers expected at Buenos Aires, out of which 5 came from New York. There were 83 ships altogether, mail and freight ships, that were to arrive at Buenos Aires, out of which 5 came from New York. There were 35 ships sailed from Buenos Aires in May, one of them being a mail steamer to New York. The total that sailed during the month of May and the last day of April from Buenos Aires was 63. Three of them were to go to New York. Out of all of those lines coming from Germany, France, Holland, Italy, Sweden, Austria, Spain—and I also saw the Portuguese flag—there was not a single American flag. The consul at Buenos Aires told me that maybe once or twice a year a sailing vessel with the American flag would come down there.

Mr. HARDY. That is the American flag you are talking about.

Mr. HUMPHREY. I know that part of it, but all those others were foreign, showing the difference in frequency of sailing.

Mr. HARDY. No; but the American flag might not be on those ships. I do not expect it is.

Mr. HUMPHREY. Of course it is not. But I call your attention that the total sailings during the month of May and the 1st day of April from Buenos Aires was 63, and three of them were to go to New York.

Now, then I want to call your attention to what he says about the mail service. He says:

The mail from New York is a very uncertain quantity. I went into the English bookstore, as it is called, when I arrived in Buenos Aires on the 23d of March, and tried to get a New York paper. The clerk kind of smiled at me, and he said they did not have any; that they would not have any until

the next mail came in. I asked him when that would be, and he said, "Oh, you can't tell when any American newspapers will come in. You can get an English newspaper." He said, "We may have a New York paper in two or three weeks." Of course I do not know whether it is the fault of the publishers or where the fault lies; but while I was there I know that we got the magazines for January, February, and March, all in one batch on one day. They only get the Sunday New York papers, and when they come they come several weeks' issues all together. I asked him why they charged 45 centavos, which is about 20 cents, for a newspaper, and he said, "Nobody is going to buy these old newspapers when they could get newer ones, papers of a later date, and so whoever buys these of a later date has to pay for these old ones." Of course the paper there was a good deal cheaper than at Rio. There the man wanted 50 cents for a New York paper. Reading came high.

Mr. HARDY. Now, if you are through on that line, Mr. Humphrey, I should like to ask Mr. Daniels a question about another matter. Mr. Daniels, were you here when Mr. Story testified?

Mr. DANIELS. I unfortunately was not.

Mr. HARDY. He was telling us about an effort to establish a line from New Orleans down to Brazil, and he used this language:

The Munson Line started from Mobile after the Pan American Line—

The line he was interested in—

started from New Orleans. It was frequently stated that as soon as this independent American line started from New Orleans, that the shipping combination would put on a line alongside of it to run it out. When the Munson Line started from Mobile to South America, I was in Chicago at that time and I wrote to our people and I said, "I believe that this Munson Line is a shipping trust combination proposition," because not only did it start from Mobile after we had started——

He goes on to say that he had charged that that was a shipping trust proposition and that your company then went around in New Orleans booking freights for Brazil for future sailings, and that when his line sailed and took off their ships your company then refused to carry any freight or to continue this booking. In other words, he was presenting the idea that your company was crowding out any possibility or any effort to establish an independent line from New Orleans. Do you know anything about the condition as to which he testifies in that statement?

Mr. DANIELS. Mr. S. Story, it was rather a sad story all through, was it not?

Mr. HARDY. It was simply what I have stated.

Mr. HUMPHREY. It was if it were true.

Mr. HARDY. Let me read you the balance of it.

Mr. DANIELS. I am quite familiar with it.

Mr. HARDY. One minute. Let me read the balance of it. It reads as follows:

And then, following on the heels of that, the Lamport & Holt— they have an agent in New Orleans who receives ships as they come in from the south with coffee, and this agent in September last was booking freights for the Terrance, of the Lamport & Holt Line, and I met the son of the Brazilian consul at New Orleans on the streets of Chicago last October. He is an American, and his father is a big coffee importer, and he told me that the Lamport & Holt people were going to start a line from New Orleans. Well, I wrote to our people that I believed that was carrying out the threat they had made when I was in Rio, as it had reached me that they were going to start in a new line alongside of us to run us out. Our press took that up. The agent of the line denied it, however. When the Pan-American boats came back empty our people concluded it was no use to keep the line going and continually meet with a loss on the return voyage. It was then announced that the Lamport & Holt would not take any freight to New Orleans for South America.

What about that little episode?

Mr. DANIELS. Mr. Story's boats after a good deal of propaganda and prospectus started, and he chartered his boats in the open market, paying 6s. 6d., or something like that. We, of course, knew exactly what he paid for his boats. We soon heard from merchants exactly what he was asking for his freight from New Orleans, and we did not think there was any more worry in the matter. If he chartered his boats at the price he chartered them, and if he was willing to take the freight at the price they named, I do not really think we could have helped him any more than we did. We let any of our shippers who wanted to use his boats and cancel with us ship with him. There was only one result, and could have been only one result. About three boats used up his capital, and nobody who knew anything about the business could have figured it any different.

Mr. HARDY. Did you start in to take freight, as mentioned in the Terrance episode, when he established this line?

Mr. DANIELS. No; we did not. The fact as to the Terrance episode is this: The ship was coming to New York—but loaded to New Orleans in ballast—to load on the New York berth for Brazil or the River Plata. Our agent telephoned that they would need some freight for ballast coming around the coast if it got to blowing. This line was offering to take resin at some very cheap figure, and that was the best we could get for ballast, so we authorized him to put it in ballast. He put it in as ballast and it came on up.

Mr. HARDY. So you did take some freight from there to New York?

Mr. DANIELS. We always do.

Mr. HARDY. That was no unusual thing?

Mr. DANIELS. No.

Mr. HARDY. What about this Munson Line?

Mr. DANIELS. The Munson Line is entirely independent of us. We have never touched the question of their starting up from Mobile. But they are speculators in freight. If they want to go into that Mobile proposition on the present market value of tonnage, I am glad it is their risk and not mine.

Mr. HARDY. Mr. Daniels, is it your statement that your conference lines do not use any fighting ships to kill off young aspirants for freight business?

Mr. DANIELS. We have not opposed any of our competitors for a long time. There has been more business than we could handle with the present tonnage.

Mr. HARDY. If a new line should start up, say, from New Orleans now, you would not put in one of your fighting ships there?

Mr. DANIELS. I think not.

Mr. HARDY. Haven't you done that sort of thing at New Orleans?

Mr. DANIELS. No.

Mr. HARDY. Or at Galveston?

Mr. DANIELS. No.

Mr. HARDY. Within the last 10 years?

Mr. DANIELS. Not to my knowledge; not that I remember. We have been offered that business by the railways from New Orleans, and we have said that we would be very glad to consider it whenever we could get a good dollar back for an old one.

Mr. HARDY. As it is now, you do not take any freight from the Gulf ports to South America, do you?

Mr. DANIELS. Except via New York.

Mr. HARDY. Nothing direct?

Mr. DANIELS. No; it does not pay.

The CHAIRMAN. Are there any further questions to be asked this witness? If not, we will take a recess until to-morrow morning at 10 o'clock.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

(U. S.)
THE COMMITTEE ON THE MERCHANT
MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 10, 1913

No. 4



WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

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RUFUS HARDY, Texas.

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DR. S. S. HUEBNER, *Expert to Committee.*

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE
MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Friday, January 10, 1913.

The committee met at 10.35 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Collier, Ayres, Stone, Post, Faison, Humphrey, Hinds, and Stephens.

The CHAIRMAN. Mr. Gerhard has been in very poor health and was advised by his physician that really he should not come; his health did not warrant his coming. He has, however, expressed his willingness to come, and is here, and will give his testimony before the committee, but I make this suggestion because I do not want to tax him more than is absolutely necessary.

TESTIMONY OF MR. PAUL F. GERHARD, GENERAL AGENT FOR THE PRINCE LINE, NEW YORK, N. Y.

The witness affirmed to the oath.

The CHAIRMAN. Now, Mr. Gerhard, just tell, briefly, how long you have been in the steamship business, your experience, and your various business connections.

Mr. GERHARD. I have been in the ship brokerage business since 1867, in New York, and in the steamship business since 1882, when the American Line—the United States & Brazil Steamship Co. was started. I was appointed the general agent of that line, and I held that position during the operation of the company or until 1892, when it went into the hands of a receiver, in spite of the subsidy that it was receiving from the Brazilian Government, as well as from the Government of the United States. After leaving that agency, it was a question with me either to go out of business or get a foreign line, so I accepted the freight agency of the Lamport & Holt Line—the outward freight agency of the Lamport & Holt Line. The general agents at that time were Busk & Jevons, in New York. I resigned that agency in 1907, and accepted the general agency of the Prince Line, which I now hold.

The CHAIRMAN. In what trades is the Prince Line engaged?

Mr. GERHARD. I hold the agency of the Prince Line for the Brazil, River Plata, and South African service.

The CHAIRMAN. Referring to the Brazil trade, tell the committee if your company or line is at present, or has been in recent years, a party to any agreement or agreements, or any understanding with

any other steamship line or lines, as regards either freight or passenger traffic to or from the United States to Brazil.

Mr. GERHARD. The Prince Line has an agreement with the Lamport & Holt Line and the Hamburg-American, and the Hamburg-South American Steamship Line, joint service, as per the agreement which is already in evidence, a copy of which I can hand you [producing paper].

The paper so produced was marked "Exhibit No. 33."

The CHAIRMAN. We will not take the time to compare it with Exhibit 1 in the Government's suit, but is that a copy?

Mr. GERHARD. It is intended to be a copy. It is a copy as far as the agreement is now in existence. The pooling agreement referred to in that contract only existed for one year.

The CHAIRMAN. The pooling agreement was in a supplement, was it not, and printed as Exhibit No. 2 in the Government suit?

Mr. GERHARD. Yes; in the supplement. And I have not a copy of it, because that is no longer in existence.

The CHAIRMAN. But this agreement that you handed us—

Mr. GERHARD. That is what we are working under now. I think you will find it identical.

The CHAIRMAN. The same as Exhibit 1 in the Government's suit?

Mr. GERHARD. Yes; I think it is identical.

The CHAIRMAN. And it is the agreement in existence between your line and the other conference lines?

Mr. GERHARD. That is the one now in existence; yes.

The CHAIRMAN. And operates in the Brazilian trade?

Mr. GERHARD. Yes; the Brazilian trade.

The CHAIRMAN. Now, Mr. Gerhard, tell the committee, briefly, the workings of the New York committee; who compose the committee and the name of the secretary, and just give us, briefly, the workings of that committee.

Mr. GERHARD. Well, the three lines meet in conference. We have an office in New York at 326 Produce Exchange, and we have a secretary there, named Robert Goodwin, and we meet there once a week to advise each other of what steamers are berthed, and how they are getting on in loading; what quantity of cargo they have booked and what port they are going to, and what dates they are scheduled for. We report contracts that may have been made; we report those at the meetings and the general conditions of the market. That is about what we do in conference.

The CHAIRMAN. Now, with reference to rates: Where are those rates made?

Mr. GERHARD. When we first started, there was a certain number of articles called staples, such as lumber, resin, flour, and kerosene (I think those are the articles, about; I think they are named in one of those agreements) that we were at liberty to fix a rate on according to the condition of the market, not less than the minimum, which I think was stated in the agreement at 8 cents, as I recollect. That was the minimum, and we were at liberty to meet the situation. If the market went up, of course we put the rates up; if the market was low and the merchants could not pay the rates, and we saw the necessity of a change, why we were at liberty to change those rates. But in recent years we have practically been deprived of that authority and at present we really get our authority from London.

We cable through our secretary in New York to the secretary in London, who, I presume, submits it to the different owners, and we get a reply through the secretary then what to do in the matter of the rates to quote, which, I think, is very reasonable that the owners of ships who own the property and know what it costs to run those ships, that they should really be the men, the judges, to state what freights we ought to get here.

The CHAIRMAN. When you say "we" you refer to the conference lines?

Mr. GERHARD. I am speaking of the joint agency, of course.

The CHAIRMAN. And when you refer to the secretary abroad, you refer to the secretary of the conference lines there?

Mr. GERHARD. Of the conference in London.

The CHAIRMAN. Could you give the names of the membership of the London conference?

Mr. GERHARD. I do not know. I presume it simply consists of those three lines named in the agreement, but I have never attended those conferences and really have no details of how they are conducted. All I know is that they have a secretary there to whom our secretary cables. That is all I know about it. I have never attended any of those meetings.

The CHAIRMAN. Do you know the ownership of these lines?

Mr. GERHARD. Well, the ownerships of those lines—of course the Lamport & Holt Line. You mean the names of the owners?

The CHAIRMAN. Yes.

Mr. GERHARD. I do not know that.

The CHAIRMAN. You do not know who they are?

Mr. GERHARD. No.

The CHAIRMAN. What, if anything, do you know about the Prince Line having been absorbed by the Royal Steam Navigation Co.?

Mr. GERHARD. I had heard nothing until I got to Washington, but I am sure there is nothing in it, because I am quite sure Mr. Knott would have informed me of the fact. I am quite confident he still holds the line. It has been his life work, and he is not going to give it to others. I am quite sure of that, and that there is no truth whatever in the statements.

The CHAIRMAN. That is the Prince Line?

Mr. GERHARD. The Prince Line is what I am speaking of.

The CHAIRMAN. What, if anything, do you know about the Lamport & Holt Line?

Mr. GERHARD. It has been a well-known fact for some time that the Royal Mail has absorbed the Lamport & Holt. I do not know anything except what I have heard and seen in the newspapers.

Mr. HUMPHREY. I did not quite understand you.

Mr. GERHARD. The Royal Mail has absorbed the Lamport & Holt Line.

The CHAIRMAN. Mr. Daniels was asked with reference to sailings of the ships belonging to the conference lines from Brazilian ports, and it was stated that the sailings were at regular, definite periods; and for that reason the conference lines give the shipper a better service than other lines might—tramp vessels on the Lloyd-Brazileiro route. Is it true that, except these fast steamers known as the passenger steamers of the Lamport & Holt Line, your freight steamers sail at definite periods?

Mr. GERHARD. Well, we endeavor to keep up dates. But the great trouble in all South American ports is that the facilities for discharging cargo are limited, and they are often detained in those ports before they get a chance to unload. So, while we try to keep our dates, sometimes we are detained; but certainly there is a great deal more regularity than any tramp steamers could offer.

The CHAIRMAN. How are they, as compared with the Lloyd-Brazileiro?

Mr. GERHARD. I have never seen any of their steamers. I have not watched their service even, and I would not like to express an opinion about those ships. I am not competent to express an opinion.

The CHAIRMAN. Mr. Gerhard, tell the committee what agreement or understanding exists between the conference lines and the Booth Line with reference to the South American trade.

Mr. GERHARD. I really do not know that there is any definite agreement existing between the lines. I do not know of any. It is only this, "Do not step on my corns, and I won't step on your corns." That is about the amount of it. I do not think we would care to go into their ports without consulting with them, and I think they feel the same way toward us. There is not any agreement.

The CHAIRMAN. In other words, there is a friendly understanding, "If you will keep out of the north Brazilian ports, we will keep out of yours"?

Mr. GERHARD. That is it; and I think that is the understanding with all the lines. They all know perfectly well that if any of the existing lines try to enter the territory of another line they are sure of getting into a fight with them; so they keep out of it. That is the amount of it.

The CHAIRMAN. Is that the situation as between the Brazilian ports and Argentina?

Mr. GERHARD. Those are two different trades; I do not think there is any definite agreement. I know there is no definite agreement between the Brazilian and the River Plata lines.

The CHAIRMAN. But they understand——

Mr. GERHARD. It is simply a tacit understanding. "Don't go for me, and I won't go for you." That is the amount of it.

The CHAIRMAN. "Keep off my preserves"?

Mr. GERHARD. Yes; that is it.

The CHAIRMAN. Tell the committee if your company at this time, or at any time for several years past, has been a party to any agreement or agreements or understandings with any other steamship line or lines as regards either freight or passenger traffic to or from the United States and the ports in Argentina.

Mr. GERHARD. Our line has an understanding with different lines that go to the Argentine, but it is only a verbal understanding.

There is no written agreement in this trade. Since January, 1912, there has been an oral understanding between the Lamport & Holt Line, Houston Line, Prince Line, Barber Line, and Houlder, Wier & Boyd's Line with reference mainly to rates. The representatives of the lines meet weekly to discuss the general conditions and matters of rates and contracts, and to exchange views generally with regard to the conditions of ships and of the freight market. Freight rates are determined upon at these meetings and adhered

to by the five lines mentioned. Rates are also sometimes changed by mutual arrangement between meetings.

The Norton Line, which is also engaged in this trade, is not a party to this understanding and does not attend the meetings.

It is also a part of the understanding that merchants who contract with individual lines for the shipment of large quantities of materials or for shipments during a season or a year have the privilege of loading such parts of their shipments as they may desire to load upon any steamer or steamers of either of the five lines which may be loading at the time the merchants wish to make the shipment, but subject to arrangement with the agent of the steamer, except contracts that are closed by authority of the respective agents for participation in same. The freight rates earned by each of the lines are its own, and are not pooled.

Each agent represents his own line, receives his commission from his own principal, and there is no pooling of commissions. There is no limitation upon the number or size of the steamers that may be dispatched by any line, nor is there any limitation upon the time at which any party may dispatch steamers. There is no conference in a formal sense, no secretary is employed, and no minutes are kept. No rebates of any kind are given in this trade, and there is no division of territory in it.

The CHAIRMAN. I believe the agents of these conference lines make the rates?

Mr. GERHARD. Yes, sir; we make the rates.

The CHAIRMAN. They are not made in London?

Mr. GERHARD. No; we make the rates here, but we are really guided by the European tariff. We base our rates here on the European tariff. Our desire here is to keep them on a level. It is to our own interest to keep the trade on this side and not have it go to Europe. It is to my personal interest to get all the trade I can on this side of the Atlantic.

The CHAIRMAN. That is, your compensation—

Mr. GERHARD. My compensation is on the freight earned. The more cargo I carry the more freight I earn.

The CHAIRMAN. What was the situation when this understanding was entered into between yourself and the other lines down at the Argentine conference?

Mr. GERHARD. Prior to that?

The CHAIRMAN. Yes.

Mr. GERHARD. I was paddling my own canoe. I was working alone. Prior to that we had a kind of understanding to work together, but it only lasted a short time.

The CHAIRMAN. How did they get together and work this out—

Mr. GERHARD. I was not in it at all in 1911. I worked entirely alone in 1911.

Mr. HARDY. How did you fix your rates?

Mr. GERHARD. I fixed them the best way I could. I tried to see what the others were charging. I did not get their tariff. I tried to see how near I could keep to them, because I did not want to cut rates any more than necessary. Of course I do not want to take less than my neighbors.

The CHAIRMAN. You spoke about rebates and preferred rebates. I do not recall having asked you what the conditions are in that regard in the Brazilian trade.

Mr. GERHARD. Rebates?

The CHAIRMAN. Yes.

Mr. GERHARD. There are absolutely no rebates in the outward business.

The CHAIRMAN. How is it with reference to inward business?

Mr. GERHARD. I do not know anything at all about the coffee business. I am absolutely ignorant. My authority is simply for shipments from New York, from the United States. I have never been informed by Mr. Knott in any manner about the coffee business. All I do when the steamers come up is to deliver the coffee and collect the freight, but I do not know anything at all about the terms of the coffee arrangement.

The CHAIRMAN. Is there or not an existing arrangement by which the agents' commissions are pooled?

Mr. GERHARD. No, sir; there is no pooling of commissions, positively.

The CHAIRMAN. Either of the incoming or outgoing freight?

Mr. GERHARD. No pooling whatever, positively. That is the case since I have been agent. I am talking about the time since I have been agent, since 1908.

The CHAIRMAN. In January, 1912, you came together and entered into this oral understanding. Who were the parties that did that? Name them.

Mr. GERHARD. Who were the parties that came together?

The CHAIRMAN. Yes, sir.

Mr. GERHARD. I think I gave them a moment ago.

The CHAIRMAN. Who represents the Lamport & Holt Line?

Mr. GERHARD. Busk & Jevons; Busk & Daniels now. The Barber Line——

The CHAIRMAN. Who represents the Barber Line?

Mr. GERHARD. Barber & Co. Houlder & Boyd represent the American-Rio Plata Line——

The CHAIRMAN. Who represent the Prince Line?

Mr. GERHARD. I represent the Prince Line. R. P. Houston & Co. represent the Houston Line. Those are the lines.

The CHAIRMAN. I believe you said you are also engaged in the South African trade?

Mr. GERHARD. Yes, sir.

The CHAIRMAN. Tell the committee if your company is now or has been in recent years a party to any agreement or agreements or understandings with any other steamship line or lines as regards either freight or passenger traffic, or both, to or from the United States to South Africa.

Mr. GERHARD. We are. The Prince Line have an understanding with the Hansa Line, the Bucknall Steamship Line, Barber & Co., R. P. Houston & Co., the Union Castle Line, and the Prince Line. Those are the lines that work together in the South African business.

The CHAIRMAN. State what that agreement is.

Mr. GERHARD. I have not got the agreement, and I really have never read it. All I can say is that it is an old agreement that was in existence before I took over the agency, and we simply meet in the

different agents' offices and report the loading of the steamers, etc., report contracts, and anything of that kind. I came in, and they seemed to work it in that way. I do not know anything really about the details of the agreement.

The CHAIRMAN. You have a New York committee?

Mr. GERHARD. Yes; the agents all meet together.

The CHAIRMAN. And there is an agreement?

Mr. GERHARD. Oh yes, sir; there is an agreement.

The CHAIRMAN. Which is still in force?

Mr. GERHARD. Yes, sir.

The CHAIRMAN. But you say you never saw the text of the agreement?

Mr. GERHARD. No, sir; I have not got it.

The CHAIRMAN. And the rates charged by each of the lines——

Mr. GERHARD. The rates are given from London. We have no discretion at all here. We get orders from London.

The CHAIRMAN. When you say from London, you mean from the——

Mr. GERHARD. I suppose they have their representatives there who give us the orders.

The CHAIRMAN. You get them through the secretary——

Mr. GERHARD. I do not think so. We cable to Bucknall Brothers & Co., and they cable back instructions.

The CHAIRMAN. You have no discretion with reference to rates at all?

Mr. GERHARD. No; no discretion at all. In fact, they name the steamers that are to load in turn. We keep one steamer loading on the berth all the time. As soon as the steamer is about completed we cable to London, "Name steamer," and they name the next steamer.

Mr. COLLIER. May I ask one question right on that line? I understood you to say some time ago that at this weekly meeting you discussed general conditions and rates. What effect does the rate situation have in this weekly meeting?

Mr. GERHARD. I think we spoke about the Brazil and the River Plata trade when I said we discussed the rates. We are now talking about South Africa.

The CHAIRMAN. Those South African rates are fixed in London. In the Brazil trade I understood you made the rates here?

Mr. GERHARD. No; in the Brazil trade, the River Plata trade——

The CHAIRMAN. Argentina?

Mr. GERHARD. Yes; that is the River Plata trade.

Mr. HUMPHREY. How is it in the Brazilian trade? Are the rates fixed——

Mr. GERHARD. The rates are as I have already stated. We get instructions from London as regards rates.

Mr. HUMPHREY. For the Brazilian trade?

Mr. GERHARD. Yes.

Mr. STEPHENS. You stated that some years ago the New York agents were allowed to make rates here on certain articles?

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. But that later that privilege had been taken away from you?

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. How long ago was that?

Mr. GERHARD. I think about two years ago.

The CHAIRMAN. Are there any other lines in the South African trade competing with your lines?

Mr. GERHARD. Not to my knowledge.

Mr. AYRES. Returning for a moment to the Argentine trade, you stated that you did not personally know that any rebates were paid on the trade north?

Mr. GERHARD. No; that was Brazilian trade.

Mr. AYRES. Brazilian trade? Well, while it is true that you do not personally know it, of course a good many things are rumored around. With regard to those rebates on the trade from Brazil, is it the general understanding or the rumor of the trade that such rebates are only paid on the coffee shipments, or on the whole trade?

Mr. GERHARD. I believe it is only on the coffee shipments, but it is only a supposition. I have never seen those agreements and it is really since the agitation commenced in New York when I was called before the United States district attorney there that he showed me one of those circulars. That is the first information I had of it.

The CHAIRMAN. Taking all these ports, where these lines are in conference, you say there is no pooling of earnings, but it is your effort to distribute the tonnage so that each line will get its equitable share?

Mr. GERHARD. As regards that, there is a good deal of competition between the different agents to get all the freight they can. I think you must have misunderstood me. I did not say we tried to distribute the trade.

The CHAIRMAN. I am only asking you if that is the fact.

Mr. GERHARD. No, sir; it is not. On the contrary we agree only upon rates; that is all. We do not cut under. Then we go ahead and see who can do the best about cargo. Of course, there is a friendly feeling between the agents, and if I find one of the lines have a steamer a little short of cargo and I have some cargo available, and they ask me for it, I turn it over to them and get the steamer out of the way and let the other steamer get the cargo coming in. We help each other that way, you know. But otherwise there is a good deal of competition for freight.

Mr. HARDY. Is not the purpose of this designating which steamer shall go on the berth and be ready to sail—is not the purpose of that to make an equitable distribution of the trade?

Mr. GERHARD. That is the African trade.

Mr. HARDY. I am speaking of the African trade.

Mr. GERHARD. We were just now talking about the Argentine. In the African trade the policy is to keep one steamer only on the berth.

Mr. HARDY. And to divide equitably between these lines?

Mr. GERHARD. Yes. That is so as to let each line have its full share of the market and supply the necessary tonnage. If we find we can load a steamer in eight days, if there is a great deal of cargo offering, we cable for another steamer sooner.

Mr. HARDY. And the authority over there in London keeps you equitably divided—

Mr. GERHARD. That is it. They no doubt have their understanding.

Mr. HARDY. With the purpose of giving each line its proportionate share?

Mr. GERHARD. That is the idea.

Mr. HARDY. While there is, so far as you know, no pooling, there is a division of custom?

Mr. GERHARD. So as to avoid cutting, you know. If there is not regularity in the trade you can not run it successfully.

Mr. HARDY. In the Argentine trade is there any way by which you can tell which steamer can go——

Mr. GERHARD. No; the agents can put on as many steamers or as big steamers as they want——

Mr. HARDY. You have a management of that in the United States?

Mr. GERHARD. That is controlled in New York; yes.

Mr. HARDY. And you do really compete to see who can get the most business?

Mr. GERHARD. Indeed there is a good deal of scrapping around.

Mr. STEPHENS. The ownership of the Argentine lines is where?

Mr. GERHARD. Those are all British ships.

Mr. STEPHENS; All owned in Great Britain?

Mr. GERHARD. Yes.

Mr. HARDY. I think you said there were three of these Argentine lines owned in the United States?

Mr. GERHARD. They are controlled in New York. He charters a good many steamers. He does not own many himself. and he charters in the open market.

Mr. HARDY. But the owners of the lines are Americans?

Mr. GERHARD. Barber controls his own line.

Mr. HARDY. You say there are three in New York?

Mr. GERHARD. The next one is Houlder, Weir & Boyd. They control the line.

Mr. HUMPHREY. When you say they control the line you do not mean they own the line?

Mr. GERHARD. No; all those lines where they do not own—a number of the lines do not own enough steamers to allow them to supply the berths. In that case they simply charter steamers and put them on.

Mr. HARDY. While they have the vessels chartered they own all there is to the line? All they have in the line is the trade and vessels chartered, and they own that?

Mr. GERHARD. That is all.

The CHAIRMAN. Mr. Gerhard, these conference lines which you have referred to as trading to South Africa also trade to the east coast of Africa, do they not?

Mr. GERHARD. No, sir—the east coast.

The CHAIRMAN. Yes.

Mr. GERHARD. It is South Africa and some of the east coast; yes. We go as far north—well, I have forgotten some of the names—right on the African coast. They call it South and East Africa—the ports in South and East Africa.

The CHAIRMAN. The agreement covers that whole trade?

Mr. GERHARD. South and East Africa.

The CHAIRMAN. Of course, you have contracts with individual shippers in these different trades?

Mr. GERHARD. Well, in some trades, yes, we have more than in others. For instance, in the African trade I have no special contracts at all. In the Brazil trade I have some contracts, and in the River Plata trade I have some contracts.

The CHAIRMAN. Have you copies of them?

Mr. GERHARD. Yes, sir. The subpoena spoke of five contracts in which we had given special privileges or advantages.

The CHAIRMAN. Yes.

Mr. GERHARD. I do not consider any of my contracts as giving any special privileges or advantages. I thought I would bring the contracts, so you can judge for yourself. In reference to the River Plata contract I should like to explain the position. We have at New York some four or five merchants—merchant houses that ship from 50,000 to 100,000 tons of agricultural machinery during the year, besides a good many other goods. These houses want contracts. They want to be prepared when their goods arrive; they want to know that the steamers are ready to take them, and they like to make a contract. So, of course, we feel that it is to our interest to make contracts. The result is that we have got into a way of making these contracts generally in the spring of the year for a year, and these houses are pretty close traders. When we finally close a contract with one of these houses, which generally is for agricultural machinery, at lower rates than our tariff rates, being such large quantities, you know, why, the other houses fall in line and close contracts on the same terms. After these big shippers have those lower rates we feel it is but right and proper that the small shippers should have the same rates, and for that reason we then offer those smaller shippers contracts on identically the same terms, so as to give them all a chance to work on the same basis. And that is the way that you find we make a good many more contracts in the river trade than in these other trades.

The CHAIRMAN. I will ask that you give those contracts to the stenographer and he will mark them as exhibits.

Mr. GERHARD. I will do so.

The papers referred to were marked "Exhibit No. 34," sheets 1 to 5, inclusive, and "Exhibit No. 35," sheets 1 to 39, inclusive.

EXHIBIT 34.

NEW YORK, April 26, 1911.

The PARSONS TRADING Co.,
20 Vesey Street, New York City.

DEAR SIR: Referring to our present freighting agreement made with you, dated November 9, 1910, we now desire to avail ourselves of the 30-days' clause contained therein and to withdraw the present rates.

We beg to submit to you the following rates to cover your shipments of news printing paper and pulp board from May 26, 1911, until December 31, 1911:

	If ton of 2,240 pounds does not exceeds 70 cubic feet.	If ton of 2,240 pounds exceeds 70 cubic feet.
To Pernambuco to Dec. 31.....	\$9.00	\$10.20
To Bahia up to July 1.....	10.20	11.40
To Bahia, July 1 to Dec. 31.....	12.00	13.20
To Rio de Janeiro to Dec. 31.....	7.80	8.40
To Santos to Dec. 31.....	7.80	8.40

All per ton of 2,240 pounds landed. The present agreement in all other respects remaining in force.

We have written this letter in duplicate. Kindly keep one and return the other approved by you.

Yours, faithfully,

PAUL F. GERHARD & Co., *General Agents.*

Approved.

THE PARSONS TRADING Co.,
Per W. SIEBERT,
Traffic Manager.

NEW YORK, November 9, 1910.

The PARSONS TRADING Co.,
20 Vesey Street, New York City.

DEAR SIRs: We beg to confirm contract made with you on all your shipments of news printing paper and pulp board under your control from New York to Bahia, Rio de Janeiro, and Santos, Brazil, during the months of January, February, March, April, and May next, and contract to continue thereafter, subject to 30 days' notice by either party, on the following terms:

To Bahia, \$7.20.

To Rio de Janeiro and Santos, \$8.

All per ton of 40 cubic feet, landed.

Shipments by the Prince Line and Hamburg Lines to go forward at net rates, and shipments by the Lamport & Holt Line, 10 per cent primage to be added. All other conditions as per contract made with your good selves dated February 1, 1909.

We have written this letter in duplicate. Kindly keep one and return the other approved by you.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

November 21, 1910.

PARSONS TRADING Co.,
Per WM. J. SIEBERT,
Traffic Manager.

NEW YORK, November 12, 1910.

The BARBER ASPHALT PAVING Co.,
Land Title Building, Philadelphia, Pa.

GENTLEMEN: We beg to confirm contract made with you to-day for all shipments of asphalt and residuum (in custody barrels) under your control from New York to Rio de Janeiro during the next three months, and contract to continue thereafter, subject to 30 days' notice by either party, on the following terms:

By steamers of the Prince Line and Hamburg South American Line and Hamburg American Line, \$5.50 net.

By steamers of the Lamport & Holt Line, \$5.50 net and 10 per cent primage.

All per ton of 2,240 pounds, gross weight; all prepaid on signing of bills of lading and free from alongside.

Please note that the following clause will be inserted in all bills of lading, to be signed by you, viz:

To be taken from alongside the steamer by consignees of goods at their own risk and expense immediately the steamer is ready to deliver. Consignees to send a competent representative, who will sign receipts for each lighter load before it leaves the steamer's side, otherwise the steamer will not be responsible for any claims on the cargo. In default the goods to be landed by the agents of the steamer at expense (including dock dues) and risk of the consignees.

In the event of the consignees failing to carry out this clause, the shipper shall be held, and hereby holds, himself responsible for all expenses incurred thereby.

We have written this letter in duplicate; kindly keep one and return the other approved by you.

Yours. faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted by cable authority dated October 28, from Carlos A. de Miranda Jordao.

THE BARBER ASPHALT PAVING Co.,
By F. J. BUXTON, Agents.

Messrs. GUINLE & Co.,
New York City.

NEW YORK, January 21, 1910.

DEAR SIRs: We hereby beg to confirm freight agreement made with you by us, acting for the Prince Line, Lamport & Holt Line, and Hamburg-South American Steamship Co., and Hamburg-American Line (joint service). This agreement to cover the transportation of your entire shipments of lawful merchandise from New York to ports in Brazil named below, on the following terms:

For Pernambuco, Rio de Janeiro, and Santos: Electrical and other machinery (electrical fittings), \$7 per ton, weight or measurement, ship's option; transmission towers (structural material), \$6 per ton, weight or measurement, ship's option; curved plates, \$6 per ton, weight or measurement, ship's option; car material, \$6 per ton, weight or measurement, ship's option; paint and varnish, \$7.50 per ton, weight or measurement, ship's option; copper wire, \$7.50 per ton, weight or measurement, ship's option; lubricating oil, 15 cents per cubic foot—landed.

Above rates apply to pieces not exceeding 2 tons.

Pieces in excess of 2 tons to pay tariff rates for heavy lifts, less 10 per cent.

Locomotives up to 10 tons, 18 cents per cubic foot, F. F. A.

Bahia to pay above rates F. F. A. or \$1.80 per ton additional if landed.

No F. F. A. bill of lading to be signed for less than 40 tons.

Goods not provided for in this agreement to pay tariff rates of steamer carrying the goods.

Rio Grande do Sul: To pay 25 per cent over the contract Rio de Janeiro landed rates, F. F. A.

Porto Alegre: To pay \$4 per ton weight or measurement, ship's option, over Rio Grande do Sul rates; all landed.

Freight to be prepaid against delivery of bills of lading and not subject to any return whatsoever.

F. F. A. cargo to bear the usual signed clause in bills of lading.

Shipments by Prince Line and Hamburg Lines to be without primage.

Lamport & Holt Line to have option of charging 10 per cent primage in addition to the above rates.

The steamship lines agree to provide space on receipt of ample notice of your requirements by steamers of the Prince Line, Lamport & Holt Line and Hamburg-South American Steamship Co., and Hamburg-American Line (joint service).

Pieces too large to go below deck to go on deck at shipper's risk.

It is further agreed that no single piece shall be tendered under this contract exceeding steamers' or ports' handling facilities.

Shipments subject to all conditions of companies' regular bills of lading.

This contract to run during the current month and the three following months and to run thereafter subject to 30 days' notice of withdrawal on the part of either party, but such notice not to be given before April 1, 1910.

Yours faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted:

GUINLE & Co.

This contract was canceled December 6, 1910.

EXHIBIT 35.

NEW YORK, October 2, 1912.

Messrs. ENOCH MORGAN SONS & Co.,
439 West Street, New York City.

DEAR SIRs: We beg to confirm contract made with you to-day covering all your shipments of Sapolio, which you control (approximately 250 tons), hence

to Montevideo and Buenos Aires, from date to January 31, 1913, inclusive, at the following rates of freight, viz: Montevideo, \$10 net per ton; Buenos Aires, \$11 net per ton.

All per ton of 40 cubic feet or 2,240 pounds, steamer's option.

Freight is to be prepaid, and all shipments are subject to the terms and conditions of the regular carrying line's River Plata bills of lading.

We agree that in case the rate of freight on Sapollo is reduced you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & Co.,
per F. SCHARDING,
General Agents.

FS/NJM.

Accepted:

ENOCH MORGANS SONS Co.,
per EDWIN L. VULTEE.

NEW YORK, August 15, 1912.

Messrs. COLLINS & Co.,

212 Water Street, New York City.

DEAR SIRs: We beg to confirm contract made with you to-day covering all your shipments of lawful merchandise (approximately 1,000 tons), from New York to Montevideo, Buenos Aires and Rosario, from date to April 30 1913, inclusive, at the following rates of freight, viz:

	Montevideo.	Buenos Aires.	Rosario.
Plows and plow parts (except traction-engine gang plows)....	\$6.40	\$6.40	\$8.00
Shovels and spades.....	8.00	8.00	9.60
Axes.....	13.00	14.00	15.60
Pickaxes.....	10.00	11.00	12.60
Tools.....	13.00	14.00	15.60

All per ton of 40 cubic feet or 2,240 pounds, steamer's option.

Goods not enumerated to pay current rates.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

We agree that in case the Prince Line reduce the rates of freight to any other shipper, or shippers, on any articles named in this contract, you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted:

COLLINS & Co.

NEW YORK, June 21, 1912.

Messrs. J. WASSERMANN & Co.,

24 Stone Street, New York City.

DEAR SIRs: We beg to confirm engagement made with you to-day of 50,000 wine-barrel shooks, hence to Buenos Aires, at the rate of 13 cents net per cubic foot, prepaid; for shipment from October next to April, 1913, inclusive, in quantities as may be mutually arranged.

All shipments subject to the carrying line's regular bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted:

J. WASSERMANN & Co.,
PHIL. SEGALLER.

NEW YORK, June 14, 1912.

Messrs. J. WASSERMANN & Co.,
24 Stone Street, New York City.

DEAR SIRs: We beg to confirm contract made with you to-day for shipment of 50,000 barrel shooks, hence to Buenos Aires, at the rate of 13 cents net per cubic foot, prepaid, as customary; to go forward in about equal monthly quantities, commencing July next, as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted:

J. WASSERMANN & Co.,
PHIL. SEGALLER,

Memorandum of freight contract made this 1st day of June, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and Adriance, Platt & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 1,000 tons), from New York to Montevideo, Buenos Aires, and Rosario, from date to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say, twenty (20) days for lots under five hundred (500) tons and thirty (30) days for larger lots) is given.

Rates of freight as follows:

	Cents.
Class 1. Agricultural machinery—say, harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn-pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction-engine gang plows)-----	16
Class 2: Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters-----	18
Class 3. Binder twine. per bale-----	28

General cargo and hardware and cargo not otherwise enumerated, at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot, or 56 pounds, over the Buenos Aires rates, whether steamer goes direct or otherwise.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at per cubic foot, or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

Rates on goods weighing over 4,480 pounds per package are to be mutually agreed between the parties hereto.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

It is further agreed that in case the Prince Line reduce the rates of freight to any other shipper, or shippers, on any articles named in this contract the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.
ADRIANCE, PLATT & Co.,
C. J. BRUIST,
Assistant to Vice President.
JAMES A. NICHOLS,
Freight Broker.

NEW YORK, May 31, 1912.

The ANSONIA CLOCK Co.,
99 John Street, New York City.

GENTLEMEN: We beg to confirm contract made with you to-day covering all your shipments of clocks (approximately 10,000-15,000 cubic feet) hence to Montevideo, Buenos Aires, and Rosario from date to April 30, 1913, inclusive, at the following rates of freight, viz: Montevideo, 25 cents per cubic foot; Buenos Aires, 27½ cents per cubic foot; Rosario, 31½ cents per cubic foot.

All freight is to be prepaid and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

We agree that in case the Prince Line reduce the rates of freight to any other shipper or shippers on clocks you are to receive the benefit of such reduced rates during the period of such reduction.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted:

THE ANSONIA CLOCK Co.
RAYMOND J. SCHWEIZER.

Memorandum of freight contract made this 28th day of May, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and Messrs. Heywood Bros. & Wakefield Co., party of the second part, for their entire shipments of lawful merchandise, which they control, from New York to Montevideo, Buenos Aires, and Rosario from date to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice is given.

Rates of freight as follows:

Cane and wood seat and folding chairs, children's vehicles, bentwood chairs, rattan mats, chair cane, car seats, woven cane web seating, reed and rattan specialties, Montevideo, 17½ cents; Buenos Aires, 17½ cents; Rosario, 21½ cents.

All per cubic foot; all freight prepaid; all shipments subject to the carrying line's regular bill of lading.

Other articles to be charged at current tariff rates.

It is further agreed that in case the Prince Line reduces the rates of freight to any other shipper or shippers on any articles named in this contract the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & Co.,
Agents of Prince Line.

HEYWOOD BROTHERS & WAKEFIELD Co.
HENRY H. MORRELL.

Memorandum of freight contract made this 10th day of May, 1912, between Paul F. Gerhard & Co., agents of the Prince Line, party of the first part, and Messrs. William H. Knox & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 50,000 tons) from New York to Montevideo, La Plata, Buenos Aires, and Rosario from May 24, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say, 20 days for lots under 500 tons and 30 days for larger lots) is given.

Rates of freight as follows:

Cents.

Class 1. Agricultural machinery, say, harvesters, headers, binders, header binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction-engine gang plows)-----	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters-----	18
Class 3. Lubricating oil-----	15
Class 4. Windmill material-----	19
Class 5. Agricultural engines and thrashers (over 3 tons and not exceeding 24,000 pounds)-----	22
Agricultural engines and thrashers (up to 3 tons)-----	20

	Cents.
Class 6. Binder twine, per bale.....	28
Class 7. Wheelbarrows, shovels, spades, hayforks.....	20
Class 8. Chairs, desks, common furniture.....	17½
Special. Machinery, including gas engines (up to 2 tons).....	20
Automobiles (until Dec. 31, 1912) :	
Not exceeding 2 tons.....	15
Over 2 tons.....	18

General cargo and hardware and cargo not otherwise enumerated at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot, or 56 pounds, over the Buenos Aires rates, whether steamer goes direct or otherwise.

Rates to La Plata shall be 3 cents per cubic foot, or 56 pounds, over the Buenos Aires rate.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

The rate on binder twine to La Plata shall be 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at ——— per cubic foot, or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight except thrashers.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

Rates on goods weighing over 4,480 pounds per package, are to be mutually agreed between the parties hereto.

It is understood that this contract does not cover shipments of lumber, kerosene, inflammables, rosin, and other rough or dangerous cargo, which are subject to special arrangement.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular carrying line's River Plata bill of lading.

It is further agreed that in case the Prince Line reduce the rates of freight to any other shipper or shippers on any articles named in this contract, the party of the second part shall have the benefit of such reduced rates during the period of such reduction.

PAUL F. GERHARD & Co.,
Agents Prince Line.
WILLIAM H. KNOX & Co.

Memorandum of freight contract, made this 1st day of May, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and Hughes & Co., party of the second part, for their entire shipments of lawful merchandise (approximately 1,500 tons) from New York to Montevideo, Buenos Aires, and Rosario, from May 1, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say 20 days) is given.

Rates of freight as follows:

	Cents per cubic foot.
Class 1. Agricultural machinery, say harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn pickers, hand grain shellers, and parts thereof, carts, harrows, plows (except traction-engine gang plows).....	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, grain planters.....	18
Class 3. Lubricating oil.....	15
Class 4. Windmill material.....	19
Class 5. Agricultural engines and threshers (over 3 tons, and not exceeding 20,000 pounds).....	22
Agricultural engines and threshers (up to 3 tons).....	20
Class 6. Binder twine, per bale.....	28
Class 7. Wheelbarrows, shovels, spades, hayforks, chairs, desks, common furniture.....	20
Special. Machinery (including gas engines) (up to 2 tons).....	20
Automobiles (until Dec. 31, 1912) :	
Not exceeding 2 tons.....	15
Over 2 tons.....	18

General cargo and hardware and cargo not otherwise enumerated, at current rates.

All the above rates are to Montevideo and Buenos Aires.

Rates to Rosario shall be 4 cents per cubic foot over the Buenos Aires rates, whether steamer goes direct or otherwise.

Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.

All cargo, unless otherwise specified, to pay freight at per cubic foot, or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight (except threshers).

Rates on goods weighing over 4,480 pounds per package, are to be mutually agreed between the parties hereto.

It is understood that this contract does not cover shipments of lumber, kerosene, rosin, and other rough cargo, which are subject to special arrangement.

All freight is to be prepaid, and all shipments subject to terms and conditions of the regular line's River Plata bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
Agents of Prince Line.
HUGHES & Co.

NEW YORK, May 1, 1912.

Mr. J. R. MELCHER, *New York.*

DEAR SIR: We beg to confirm contract made with you to-day for shipment of 24,000 wine barrel shocks, hence to Buenos Aires, at the rate of 16 cents net per cubic foot, prepaid as customary.

Shipments during the balance of the present year, in about equal monthly quantities, and as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular River Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
p. H. CONNOR,
General Agents.

Accepted with the understanding that quantity may be 21,000 only, my option, to be declared by May 9, 1912.

J. R. MELCHER.

APRIL 30, 1912.

Messrs. JOHN DUNN, SON & Co., *Present.*

DEAR SIR: In consideration of your continued patronage, we hereby agree to accept your shipments, say to April 30, 1913, on the following terms:

Contract rates on all contract goods. Tariff rates on the balance of shipments.

It is understood that you are to receive as favorable rates, terms, and conditions as any other shipper.

It is understood the volume of shipments by our line is estimated on the basis of year ending April 30, 1912. Any increase over 10 per cent to be subject to mutual agreement.

Upon receipt of your letter accepting and ratifying the conditions named above, this is to be considered a contract.

Yours, truly,

PAUL F. GERHARD & Co.,
Agents Prince Line.

NEW YORK, May 1, 1912.

Messrs. PAUL F. GERHARD & Co.,
8 Bridge Street, *New York.*

DEAR SIR: Your favor of April 30 received, protecting our shipments by the Prince Line to April 30, 1913, and in reply beg to state that we accept the conditions named therein.

Yours, truly,

JOHN DUNN, SON & Co.

NEW YORK, April 30, 1912.

FISKE BROS. REFINING Co.,
New York.

DEAR SIR: We beg to confirm contract made to-day with your good goodselves for shipment of about 6,000 barrels lubricating oil, hence to Buenos Aires and

Rosario, at the following rates, viz: Buenos Aires, 15 cents net per cubic foot; Rosario, 19 cents net per cubic foot.

All freight prepaid as customary.

Shipment from date to April 30, 1913, inclusive, in about equal monthly quantities as arranged to mutual convenience.

All shipments subject to conditions of the Prince Line's regular River Plata bill of lading.

Yours, faithfully,

PAUL F. GERHARD & Co.,
P. H. CONNOR,
General Agents.

HC/NJM
Accepted:

FISKE BROTHERS REFINING Co.
H. F. FISKE, *President.*

Witness:

G. P. FISKE.
F. J. SNYDER.

Memorandum of freight contract. made this 22d day of April. 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part. and the Gerhard & Hay Co., as agents for the Emerson-Brantingham Co., Rockford, Ill., party of the second part.

Party of the first part agrees to provide transportation for all shipments of plows (riding), planters, harrows, mowers, and rakes which the party of the second part may have to ship to Montevideo, Buenos Aires, and Rosario, to April 30, 1913, inclusive, estimated at 400 to 600 tons. at the following rates of freight:

	Montevideo or Buenos Aires.	Rosario.
	<i>Cents.</i>	<i>Cents.</i>
Harrows, mowers, rakes, and plows (riding, not traction-engine gang plows).	16	20
Grain planters.....	18	22

All per cubic foot or 56 pounds, at steamer's option.

All freight prepaid.

All shipments subject to the regular carrying line bills of lading.

It is also mutually agreed and understood that this contract covers the entire shipments of Emerson-Brantingham Co., of Rockford, Ill., for shipment to River Plata ports, and shipments shall only be made from New York by steamers designated by party of the first part.

It is also mutually agreed and understood that if lower rates prevail during the above-mentioned period the party of the first part shall protect the party of the second part, either by meeting the rates or permitting party of the second part to engage room and ship by other steamship lines, each and every shipment to be submitted to party of the first part for their instructions before action is taken.

In connection with the foregoing it is agreed as follows:

Emerson-Brantingham Co. are to be protected by steamship lines at the lowest rates accepted under any contract for the same class of implements to the ports named in this contract.

This contract is to cover all business controlled (as to routing) by Emerson-Brantingham Co., and they agree in good faith everything possible under this arrangement.

In event that any consignees make steamship arrangements contrary to this contract and the Emerson-Brantingham Co. can not induce them to permit shipment under this contract, they have privilege of shipping by such steamer or steamers as consignees may instruct.

The steamship lines to be used under this contract are as follows: Prince Line, Houston Line, American & Rio Plata Line, Barber Line, and Norton Line.

PAUL F. GERHARD & Co., *Agents.*

Accepted April 26, 1912.

EMERSON-BRANTINGHAM Co.,
J. D. WHITE, *Salesman.*

Memorandum of freight contract, made this 22d day of April, 1912, between Paul F. Gerhard & Co., agents of Prince Line, party of the first part, and J. H. Snyder, party of the second part, for his entire shipments of lawful merchandise (approximately 500 tons) from New York to Montevideo, Buenos Aires, and Rosario, from May 1, 1912, to April 30, 1913, inclusive, for which the party of the first part agrees to provide tonnage, provided reasonable notice (say 20 days) is given.

Rates of freight as follows:	Cents per cubic feet.
Class 1. Agricultural machinery, say harvesters, headers, binders, header binders, reapers, mowers, hay rakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction engine gang plows)-----	16
Class 2. Cleaners, hay presses, grain mills, land rollers, pulverizers, and grain planters-----	18
Class 3. Lubricating oil-----	15
Class 4. Windmill material-----	19
Class 5. Agricultural engines and threshers (over 3 tons and not exceeding 20,000 pounds)-----	22
Agricultural engines and threshers (up to 3 tons)-----	20
Class 6. Binder twine, per bale-----	28
Class 7. Wheelbarrows, shovels, spades, hayforks, chairs, desks, and common furniture-----	20
Special:	
Machinery (including gas engines) up to 2 tons-----	20
Automobiles (until Dec. 31, 1912)---	
Not exceeding 2 tons-----	15
Over 2 tons-----	18
General cargo and hardware and cargo not otherwise enumerated, at current rates.	

All the above rates are to Montevideo and Buenos Aires.
Rates to Rosario shall be 4 cents per cubic foot over the Buenos Aires rates, whether steamer goes direct or otherwise.
Binder twine to Rosario shall pay a freight of 6 cents per bale over the Buenos Aires rate.
All cargo, unless otherwise specified, to pay freight at per cubic foot or 56 pounds, at steamer's option, and no piece or package is to exceed 2 tons in weight (except threshers).
Rates on goods weighing over 4,480 pounds per package are to be mutually agreed between the parties hereto.
It is understood that this contract does not cover shipments of lumber, kerosene, rosin, and other rough cargo, which are subject to special arrangement.
All freight is to be prepaid and all shipments subject to terms and conditions of the regular lines River Plata bill of lading.

PAUL F. GERHARD & Co.,
Agents of Prince Line.
J. H. SNYDER.

DECEMBER 11, 1911.

Mr. ROBERT E. LEBER,
New York City.

DEAR SIR: We beg to confirm contract made this day with you for all your shipments of lawful merchandise from New York to Montevideo, Buenos Aires, and Rosario, from date until December 31, 1912, inclusive, at the following rates of freight, viz:

	Montevideo and Buenos Aires.	Rosario.
	Cents.	Cents.
Beer tonic.....	16	20
General merchandise, current rates.		

All the above prepaid as customary. Shipments to go forward by steamers of the Prince Line or other steamers as designated by us.

This contract is written in duplicate, one of which kindly accept and return to us, and oblige.

Yours, faithfully,

PAUL F. GERHARD & Co.,
P. H. CONNOR,
General Agents.

Accepted:

ROBERT E. LELER.

Memorandum of freight contract, made this 11th day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and the Cadillac Motor Car Co., Detroit, Mich., parties of the second part, for their entire shipments of automobiles (boxed) from New York to Montevideo, Buenos Aires, and Rosario, from date to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 15 cents net per cubic foot; to Rosario, 19 cents net per cubic foot.

All prepaid as customary; no package to exceed 2 tons in weight.

The following declaration to be given by the Cadillac Motor Car Co. with each shipment of automobiles, viz:

"We hereby certify that the gross weight of-----marked-----that we wish to ship by steamer----- to sail-----is-----pounds, and that the dimensions are as follows: ----- Also that no gasoline, prestolite, carbide, water, cotton waste, india rubber, solution, spirit varnish, petrol, or any other article of a dangerous character remains in the tanks or other receptacles, and that the tanks, etc., have been blown out by fresh air."

Shipments to go forward by steamers of the Prince Line, and / or other steamers, as may be designated by us.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co., *Agents.*

Accepted for Cadillac Motor Car Co.

Per GERHARD & HEY,
J. W. WALTER.

Memorandum of freight contract, made this 8th day of December, 1911, between Paul F. Gerhard & Co., agents of the Prince Line, parties of the first part, and Messrs. A. S. Lascelles & Co., parties of the second part, for their entire shipments of lawful merchandise from New York to Montevideo, Buenos Aires, and Rosario, from date to December 31, 1912, inclusive.

Parties of the first part agree to provide tonnage for the above lawful merchandise; parties of the second part to give reasonable notice of intended shipments (say, 20 days), said goods to go forward at the lowest rate of freight for like articles on the steamer carrying the goods.

Lumber, rosin, kerosene, and other rough cargo are not covered by this agreement, and to be subject to special arrangement.

All freight to be prepaid as customary.

It is also agreed that the parties of the second part are at liberty to ship by any other line such goods as are specifically ordered by consignee to be shipped by any particular line.

PAUL F. GERHARD & Co.,
General Agents, Prince Line.
Per H. CONNOR.
A. S. LASCELLES & Co.,
South American Department.
Per OTTO GELOCHER, *Manager.*

NEW YORK, December 9, 1911.

Mr. J. R. MELCHER,
New York City.

DEAR SIR: We beg to confirm engagement made with you to-day of 72,000 wine barrel shocks, hence to Buenos Aires, at the rate of 11 cents net per cubic foot, prepaid; for shipment in about equal monthly quantities of 9,000 barrels each, commencing February, 1912, as arranged to mutual convenience.

Shipments to go forward by steamers of the Prince Line and / or other steamers, as designated by us.

We are writing this letter in duplicate, and would thank you to accept one and return to us, and oblige.

Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.
Per H. CONNOR.

Accepted.

J. R. MELCHER.

DECEMBER 9, 1911.

DECEMBER 9, 1911.

BROOKLYN COOPERAGE Co.,
New York City.

GENTLEMEN: We beg to confirm engagement made with you to-day of 15,000 wine barrel shocks, hence to Buenos Aires, at the rate of 11 cents net per cubic foot; prepaid as customary; for shipment in about equal monthly quantities of 3,000 barrels each, commencing February, 1912, as arranged to mutual convenience.

Shipments to go forward by steamers of the Prince Line, and/ or other steamers, as designated by us.

We are writing this letter in duplicate, and would thank you to accept one and return to us, and oblige.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted.

BROOKLYN COOPERAGE Co.

Memorandum of freight contract, made this 6th day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 50,000 wine barrel shocks, at the rate of 11 cents net per cubic foot, prepaid as customary; hence to Buenos Aires; shipment during second six months of 1912, in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

J. WASSERMANN & Co.

Memorandum of freight contract, made this 1st day of December, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and Messrs. Ault & Wiborg Co., parties of the second part, for their entire shipments of printing ink from New York to Montevideo, Buenos Aires, and Rosario, from January 2, 1912, to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 19 cents net, per cubic foot; to Rosario, 23 cents net, per cubic foot. All prepaid as customary.

Shipments to go forward by steamers of the Prince Line, and/ or other steamers as may be designated by us.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Agents.

Accepted.

THE AULT & WIBORG Co.,
L. A. AULT,
President.

Memorandum of freight contract made this 3d day of November, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and the Gulf Cooperage Co., of Pittsburgh, Pa., party of the second part, for shipment of 150,000 (10 per cent more or less) wine barrel shooks, from New York to Buenos Aires, at the rate of 11 cents net per cubic foot, prepaid as customary.

Shipments to go forward in about equal monthly quantities during the year of 1912, as arranged to mutual convenience.

Prince Line agrees to furnish not less than one steamer per month.

All shipments subject to terms and conditions of regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

GULF COOPERAGE Co.

Memorandum of freight contract, made this 20th day of September, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and Brown Portable Elevator Co., party of the second part, for their entire shipments of portable elevators from New York to Montevideo, Buenos Aires, and Rosario from date to May 1, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, \$8 per ton; to Rosario, \$9.60 per ton.

All the above per ton of 40 cubic feet, or 2,240 pounds, steamer's option, prepaid as customary, and no package to exceed 2 tons in weight.

The Prince Line agree to furnish not less than one steamer per month; all shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

THE BROWN PORTABLE ELEVATOR Co.

Memorandum of freight contract, made this 1st day of September, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and Studebaker Corporation (E. M. F. factories), Detroit, Mich., parties of the second part, for their entire shipments of automobiles (boxed) from New York to Montevideo, Buenos Aires, and Rosario from date to December 31, 1912, inclusive, at the following rates of freight, viz:

To Montevideo and Buenos Aires, 15 cents net per cubic foot.

To Rosario, 19 cents net per cubic foot.

All prepaid as customary; no package to exceed 3 tons in weight.

The following declaration to be given by the Studebaker Corporation with each shipment of automobiles, viz:

"We hereby certify that the gross weight of automobile marked ----- that we wish to ship by steamer ----- to sail ----- is ----- pounds, and that the dimensions are as follows -----; also that no gasoline, prestolite, carbide, or water remains in the tanks, and that the tanks have been blown out by fresh air."

The Prince Line agree to furnish not less than one steamer per month.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

STUDEBAKER CORPORATION,
G. M. SHERMAN,
General Traffic Manager.

Memorandum of freight contract, made this 21st day of August, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, party of the first part, and Mr. Ed. Maurer, party of the second part, for his entire shipments from New York to Montevideo, Buenos Aires, and Rosario from date to April 30, 1912, inclusive, viz:

	Monte- video and Buenos Aires.	Rosario,
Class 1. Agricultural machinery, say harvesters, headers, binders, header binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, cleaners, harrows, carts, hay presses, grain mills, grain planters, land rollers, pulverizers, plows.....	Cents. 10	Cents. 13
Class 2. Wheelbarrows, chairs, desks, common furniture, shovels, spades, hayforks, and windmill material.....	12	15
Class 3. Binder twine (per bale).....	16	22
Class 4. Gas engines.....	14	17
Class 5. Automobiles (up to 3 tons in weight).....	15	18
Class 6. General cargo and cargo not otherwise enumerated, at current rates.		

All the above per cubic foot or 56 pounds, steamer's option, prepaid as customary, and no piece to exceed 2 tons in weight, except where specified.

All shipments subject to terms and conditions of the regular line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

Per pro ED. MAURER.
CHAS. H. FICTOR.

Memorandum of freight contract, made this 31st day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 35,000/40,000 wine barrel shocks, at the rate of 10 cents net per cubic foot, prepaid as customary; hence to Buenos Aires, from date to June 30, 1912, inclusive.

Shipments to be made in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

J. WASSERMANN & Co.

1½ per cent brokerage to James A. Nichols.

Memorandum of freight contract, made this 29th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 2,000 wine barrel shocks, at the rate of 10 cents net per cubic foot, prepaid as customary; hence to Buenos Aires; shipment as follows: 1,000 November, 1911; 1,000 February, 1912.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

J. WASSERMANN & Co.,
PHIL. SEGALLER.

Memorandum of freight contract, made this 27th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 13,200 wine barrel shooks, at the rate of 10 cents per cubic foot, prepaid as customary; hence to Buenos Aires; shipment during the following months of 1911 and 1912 in quantities as follows: August, 2,800; September, 800; October, 2,800; November, 800; December, 2,000; February, 2,000; March, 2,000.

All shipments subject to terms and conditions of the regular Prince Line bill lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents Prince Line.

Accepted.

J. WASSERMANN & Co.,
PHIL. SEGALLER.

Memorandum of freight contract, made this 24th day of July, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and Messrs. Adriance, Platt & Co., parties of the second part, for all shipments controlled by them of harvesters and binders, mowers, rakes, and parts, from New York to Montevideo, Buenos Aires, and Rosario, from date to April 30, 1912, inclusive at the following rates of freight, viz:

To Montevideo and Buenos Aires 10 cents net per cubic foot, or \$4 net per ton.

To Rosario 13 cents net per cubic foot, or \$5.20 net per ton.

All the above per ton of 40 cubic feet, or 2,240 pounds, steamer's option, prepaid as customary.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
General Agents Prince Line.

Accepted.

ADRIANCE, PLATT & Co.

JULY 11, 1911.

MESSRS. OELRICHS & Co.,
New York City.

DEAR SIR: We are in receipt of your esteemed favor of the 10th instant and beg to confirm agreement made with you, which is to cover all your shipments of leather to Buenos Aires, account of Messrs. Tomas & Co., the clause, as stated in your letter, to be initialed by you.

We reserve the privilege of naming steamers of the Prince Line or other lines to carry the goods.

In accordance with your telephonic communication we have booked about 2,500 cubic feet leather to go forward under this contract per steamship *Chinese Prince*.

Your, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Accepted.

OELRICHS & Co.

JULY 11, 1911.

MESSRS. OELRICHS & Co.,
Forwarding Department, New York City.

DEAR SIR: Referring to our respects of even date, we omitted to repeat in writing the verbal understanding with you that, although the leather is of much greater value than \$100 per package, you agree to limit the value of your shipments to this figure in consideration of the reduced rate of freight at which we have agreed to carry the same, and any claims that may occur are to be limited in settlement to this figure.

Your, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

MESSRS. PAUL F. GERHARD & Co.,
10 Bridge Street, City.

NEW YORK, July 10, 1911.

GENTLEMEN: We be leave to confirm the arrangement made with your Mr. Gerhard with reference to the shipping by us by the steamers of the Prince Line, for the account of Tomas & Co., leather in cases to Buenos Aires.

Our instructions from Tomas & Co. are to close this contract with you from date until December 31, 1912, the understanding being that the rate of freight to be charged on such shipment of leather will be 25 cents per cubic foot, without reference to the value, and the clause reading as follows—

"It is agreed that the value of the within merchandise does not exceed \$100 per package, and freight rate is fixed on this basis,"
to be inserted on the bill of lading.

We would ask you kindly to acknowledge receipt of this letter, advising us if our understanding in this connection is correct and also if you will be prepared to accept our shipments on this basis.

Yours, very truly,

OELBICHS & Co., *Forwarding Dept.*
Per F. HENJES, *Manager.*

Memorandum of freight contract, made this 10th day of June, 1911, between Paul F. Gerhard & Co., agents for the Prince Line, parties of the first part, and J. Wassermann & Co., parties of the second part, for 50,000 wine-barrel shooks, at the rate of 10 cents net per cubic foot, prepaid as customary, hence to Buenos Aires; shipment up to and including March, 1912, in quantities as arranged to mutual convenience.

All shipments subject to terms and conditions of the regular Prince Line bill of lading.

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents, Prince Line.

Accepted.

J. WASSERMANN & Co.,
PHIL. SEGALLER.

JUNE 6, 1911.

Mr. J. R. MELCHER,
New York City.

DEAR SIR: We beg to confirm engagement made with you to-day of 18,400 wine-barrel shooks for shipment hence to Buenos Aires, at the rate of 10 cents net per cubic foot, prepaid as customary, to go forward as follows: 1,200 barrels, August; 5,000 barrels, September; 5,000 barrels, January, 1912; 2,400 barrels, February, 1912; 2,400 barrels, March, 1912; 2,400 barrels, April, 1912.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

Accepted.

J. R. MELCHER.

NEW YORK, *January 27, 1911.*

Messrs. ARKELL & DOUGLAS,
65 Beaver Street, New York City.

DEAR SIR: We beg to confirm engagement made with you to-day of 21,000 barrel shooks, hence to Buenos Aires, at the rate of 10 cents net per cubic foot, prepaid as customary, for shipment as follows, viz: 5,000 barrels during February, 4,000 barrels during March, 4,000 barrels during April, 4,000 barrels during May, 4,000 barrels during June.

Shipments to go forward by steamers of the Prince Line, Barber Line, Norton Line, and American and Rio Plata Line, as arranged to mutual convenience.

Yours, faithfully,

PAUL F. GERHARD & Co.,
Per H. CONNOR,
General Agents.

HC/NJM
Accepted.

ARKELL & DOUGLAS (Inc.),
S. R. SCOTT,
Manager South American Department.

New York, January 4, 1911.

Messrs. HEYWOOD BROS. & WAKEFIELD Co.,
129 Charlton Street, New York City.

GENTLEMEN: We beg to confirm working agreement made with you to-day of all your shipments of cane and wood-seat chairs, reed and rattan furniture, children's carriages and gocarts, bent-wood chairs, rattan mats, chair cane, car seats and woven-cane web seating, folding chairs, and reed and rattan specialties hence to Montevideo, Buenos Aires, and Rosario, from January 1, 1911, to December 31, 1911, at the following rates of freight: Montevideo and Buenos Aires, 12 cents per cubic foot; Rosario, 16 cents per cubic foot.

Freight prepaid.

Shipments to go forward by the steamers of the Prince Line, Messrs. Barber & Co. (Inc.), Messrs. Howard Houlder & Partners, and Messrs. Norton & Son, as may be arranged to mutual convenience.

Shipments, if any, made by the Lamport & Holt Line to be allowed under this agreement, subject to their acceptance at above rates.

We hand you this letter in duplicate. Kindly return one copy duly approved.
Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Approved, January 5, 1911.

HEYWOOD BROS. & WAKEFIELD Co.,
F. H. GREEN.

CG/NJM

New York, June 29, 1910.

Messrs. Wm. H. KNOX & Co.,
Produce Exchange, New York City.

DEAR SIRS: We beg to confirm working agreement made with you to-day on behalf of the Prince Line, Messrs. Barber & Co. (Inc.), Messrs. Norton & Son, and Messrs. Howard Houlder & Partners, for all your shipments of lawful merchandise hence to Montevideo, Buenos Aires, and Rosario to the end of the present year, at the following rates of freight:

	Montevideo or Buenos Aires.	Rosario.
Wheelbarrows, agriculturals, carts, wagons, rakes, forks.....	¹ \$0.10	¹ \$0.13
Chairs, desks, shovels, pumps, grindstones, lanterns.....	1.12	1.15
Binder twine.....	2.16	2.22
Hardware, per ton, weight or measurement.....	5.60	6.80

¹ Per cubic foot. ² Per bale.

Ship reserves right of charging 1 per cent on valuation.

Other articles not specified at current rates.

It is understood that you agree to confine your shipments during the balance of the present year to the above lines.

Lumber, hardwood, and kerosene are not included in this agreement.

We hand you this letter in duplicate. Kindly return one copy, duly approved.
Yours, faithfully,

PAUL F. GERHARD & Co.,
General Agents.

Approved.

WILLIAM H. KNOX & Co.

New York, April 5, 1910.

Messrs. HEYWOOD BROS. & WAKEFIELD Co.,
New York City.

GENTLEMEN: We beg to confirm working agreement made with you to-day on behalf of the Prince Line, Messrs. Barber & Co., Messrs. Norton & Son, and Messrs. Howard Houlder & Partners for all your shipments of chairs and furniture hence to Montevideo, Buenos Aires, and Rosario to the end of the present

year at the following rates of freight: To Montevideo and Buenos Aires, 10 cents per cubic foot; to Rosario, 13 cents per cubic foot.

Freight prepaid.

It is understood that you will confine your shipments during the balance of the year to the above-named lines.

We hand you this letter in duplicate. Kindly return one copy, duly approved.

Very sincerely, yours,

PAUL F. GERHARD & Co.,
General Agents.

Shipments, if any, made by Lamport & Holt Line to be allowed under this arrangement (subject to their acceptance at above rates).

HEYWOOD BROTHERS AND WAKEFIELD Co.
F. H. GREEN.

The CHAIRMAN. Are those joint contracts as between the conference lines?

Mr. GERHARD. No; each line makes its own contracts. A few contracts are where it comes to large bulk and one line does not care to assume the responsibility of the whole contract, why, they will ask other lines to take part in that contract. Then, of course, in such contracts as are authorized those contracts are made for joint accounts, but otherwise really these contracts are made individually for each line. Only, as I state there in my declaration, the shippers have the privilege of shipping by any of these lines by making their own arrangements with the agents.

Mr. HUMPHREY. But they are limited in giving all of their shipping either to your line or to other lines in the conference, are they not?

Mr. GERHARD. Well, the merchants themselves agree to ship all their goods for that contract. They agree to ship all their goods.

Mr. HUMPHREY. They agree to ship all their goods by your line or by some line in the conference?

Mr. GERHARD. Yes. Some years ago, when the lines were all fighting and rates got down to 10 cents or even lower, none of the lines were disposed to dispatch more than one small steamer a month. The result was that at one season in New York Harbor there were any number of lighters loaded up with cargo for the River Plata and no steamers to take it. The merchants were asking, "What is the rate?" "The rate is 10 cents a foot." "Well, give me room for it." "I have not got any room. You have got to wait." See? They were ready to pay almost any price, and that is the reason why they are willing to make their contract ahead and know that they can depend upon facilities to ship.

Mr. STEPHENS. About those contracts, you stated that certain large firms were given contracts.

Mr. GERHARD. Yes.

Mr. STEPHENS. That after those contracts were closed then the same terms were offered to the smaller shippers?

Mr. GERHARD. Yes; the identical terms.

Mr. STEPHENS. How long is such an offer open to the small shipper?

Mr. GERHARD. How long? Why, if they choose to make any and accept the contract—make the contract on the same terms as the other shippers; those contracts are made generally for a year, you know.

Mr. STEPHENS. But for how long a time can these smaller shippers come in and make that contract? Are they limited to a month's time or a year?

Mr. GERHARD. They can make it for a year.

Mr. STEPHENS. No; but when can they make the contract?

Mr. GERHARD. You mean, we give them the offer open to their acceptance?

Mr. STEPHENS. Yes.

Mr. GERHARD. That is a matter of agreement or convenience of the merchant. If he wants a week or two to consider we do not hesitate to give it to him.

Mr. STEPHENS. You close it up within a month after the big fellows are signed up?

Mr. GERHARD. Yes. If a man tells me he must write out to the river, and that he must have 30 days in which to get a cable, he will get it.

Mr. STEPHENS. Suppose that the large contractors or large shippers had made their contracts with you——

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. And I was a smaller shipper——

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. And I came in a month after you closed those larger contracts, would you give me the same rate?

Mr. GERHARD. Yes; if you were willing to make a contract with me.

Mr. HARDY. A contract for the balance of the year?

Mr. GERHARD. A contract for the balance of the year. We like to have these contracts expire all at the same time.

Mr. STEPHENS. There is no time for closing contracts—the field is always open?

Mr. GERHARD. Yes; we are always ready to make contracts. The great advantage in establishing a regular service is to have contracts on your books. You can not depend on cargo when you have a 10,000-ton ship to load. You can not wait until the ship is in berth and then go out and ask for cargo. You have got to make your plans ahead to load these big ships. It is impossible to do business without having a lot of cargo booked ahead.

Mr. STEPHENS. If the smaller shipper refused to make a contract, or does not make a contract with you when the terms are offered him, can he get the same rates, or what rate does he get?

Mr. GERHARD. He gets the tariff rate.

Mr. STEPHENS. He can not obtain the smaller rate?

Mr. GERHARD. He can get it on the same terms as the other people are getting it. I have always been in favor of encouraging the small shippers, because I have found those small shippers to build up into big business houses. It is to our advantage to have as many people in the trade as possible.

Mr. STEPHENS. Any time within the current year he can make the contract with you at the same terms as the larger shippers can in their contracts?

Mr. GERHARD. I should be willing to do it; certainly.

Mr. HARDY. Mr. Gerhard, there is one thing in your statement I do not believe I understand. You say each line makes its own contracts, and yet I understand you to say that the rates are the same.

Mr. GERHARD. Oh, yes; the rates.

Mr. HARDY. If you make a contract with a large shipper, and suppose another firm makes another contract with another large shipper, is he governed by the terms of your contract?

Mr. GERHARD. The rates, you know—we agree not to cut rates.

Mr. HARDY. That is what I want to get at. When you make special terms on your own account——

Mr. GERHARD. We then agree amongst ourselves to lower the rates.

Mr. HARDY. That separate contract is in terms agreed on by the conference?

Mr. GERHARD. By the agents.

Mr. HARDY. So that any other line would make the same contract that you do?

Mr. GERHARD. Certainly. These merchants—four or five—they all know each other. When they hear that John Doe & Co. have closed their contract on some terms, John Smith & Co. are ready to do the same.

Mr. HARDY. If their contract is any better than John Doe & Co.'s contract, John Doe & Co. will get the benefit of it when it is changed?

Mr. GERHARD. That is it. They know they will all be treated alike.

The CHAIRMAN. What reason have you to urge why they should be bound not to cut rates?

Mr. GERHARD. We have gone through that some years ago. It is a most uncomfortable position to be in, cutting rates. You can not run steamers unless you bring them on a paying basis. You have got to bring them up to pay their way, and you can not do it unless there is some understanding to avoid cutting rates. You have got to have some understanding of that kind. We have had some bitter experience in that trade. The rates got down to 7 cents a foot at one time. It is impossible. The lines simply hauled off their steamers. They would not send them out.

The CHAIRMAN. That is what you call open, destructive competition?

Mr. GERHARD. Open, destructive competition; yes. We all received a lesson and found it very important to come together.

Mr. HUMPHREY. And you try to teach that lesson to any independent line that tries to come into the conference, do you not?

Mr. GERHARD. I am not a schoolmaster for anybody. I just look after my own business.

Mr. HUMPHREY. As a matter of fact, if an independent line does attempt to come into the conference you put fighting ships after them and attempt to force them out of the business, do you not?

Mr. GERHARD. I do not recollect that a fighting ship has been put on. I do not recollect it. It might have been many years ago on the river trade. But I do not recollect it—I do not recollect any other trade. In the Brazil trade I do not recollect that any fighting ship——

Mr. HUMPHREY. My recollection is that the manager of one of the lines testified a few days ago that they had put fighting ships on.

Mr. GERHARD. With the chairman's permission, I should like to have a few words on that subject afterwards—a little later on—on that very point.

The CHAIRMAN. Has any member of the committee any questions to ask?

Mr. STEPHENS. Mr. Gerhard, you stated that there is an existing agreement—or I understood you to state that there is an existing agreement—in the African trade?

Mr. GERHARD. Yes, sir.

Mr. STEPHENS. And that you have never seen that agreement?

Mr. GERHARD. I have not got it; no.

Mr. STEPHENS. Have you knowledge of its provisions?

Mr. GERHARD. No; I have not.

Mr. STEPHENS. Then, Mr. Gerhard, how do you know that the agreement is not violated in your conferences that are held weekly in New York?

Mr. GERHARD. My duties are so simple in this matter that it is simply to follow instructions from London. When they telegraph "Load the *African Prince* for South Africa," I go into the market and get my cargo on the tariff given me.

Mr. STEPHENS. Your instructions from London are so definite as to allow you no latitude?

Mr. GERHARD. I do not need to look at any agreement, you know, it is so definite.

The CHAIRMAN. Mr. Gerhard, could you not get us a copy of that agreement affecting the South African trade and file it with the committee?

Mr. GERHARD. I have not got it. I suppose by writing for it I could get one, but perhaps some of the other agents in the South African trade might have it, you know.

The CHAIRMAN. Will you undertake to procure it for us, if you can?

Mr. GERHARD. I will endeavor to do so; yes, sir.

The CHAIRMAN. Mr. Gerhard, if you have any statement to make or recommendations to make to the committee as to the present situation, if it is bad, and how to remedy it, we would be very glad to have it.

Mr. GERHARD. As to the recommendations, I really think that the less law we have in that trade the better it is for the trade itself. I wish you gentlemen would ask some of the merchants in the trade, some of the larger merchants in the trade, and get their views about it, and I think you will find that they are very well satisfied with the way the business is run.

The CHAIRMAN. What merchants have you in mind? We have had two or three large merchants here. What ones have you in mind?

Mr. GERHARD. I would hardly offhand care to name anyone. I might think over them.

The CHAIRMAN. Will you think it over and give us their names later?

Mr. GERHARD. I will do so; yes, sir.

The CHAIRMAN. You need not wait to do so now.

Mr. KIRLIN. Mr. Chairman, I think that Mr. Gerhard's statement of the participants in the African service is possibly open to an erroneous inference, that Funch-Edye & Co. are principals. Would you be good enough to ask him about that?

Mr. GERHARD. Funch-Edye & Co.; I simply named them as the agent of the Hansa Line.

The CHAIRMAN. They are not the principals, are they?

Mr. GERHARD. Is not that correct?

Mr. GOTTHEIL. The way you stated it, Mr. Gerhard, was that Funch-Edye & Co. are principals. That is what I want to correct.

Mr. GERHARD. I first named the line and then the agents. I said the Hansa Line, Funch-Edye & Co., agents.

Mr. GOTTHEIL. It did not sound that way.

Mr. GERHARD. In order to make my statement I had it written on paper. If you will allow me, Mr. Chairman, I should like to make some remarks in reference to Mr. Seager's testimony. I see that Mr. Seager declares that they were using fighting ships in the trade; that they were pooling and rebating in the Brazil trade. I can most positively assert that there are no fighting ships used as long as I can recollect. There is positively no pooling in the outward business and there is no rebating, as I stated before.

The CHAIRMAN. That is, in the outward business?

Mr. GERHARD. In the outward Brazil business. As to the homeward I do not know anything. You know as much about that as I do.

Mr. HUMPHREY. I should like to ask the witness one question, Mr. Chairman.

The CHAIRMAN. Let him finish his statement.

Mr. GERHARD. I have finished my statement.

Mr. HUMPHREY. I remember reading the report of the royal commission on shipping rings that was held in London. They had meetings, I think, in some of the colonies in 1908, if I remember, or about that time. While I do not remember the definite lines that were named I do remember very distinctly that a number of the agents of those lines gave testimony before that commission; that they gave special rates to certain big interests in the United States, and they named among others the Standard Oil, what is known as the Harvester Trust, and what we generally term the Steel Trust. Now, I want to know whether there are any of your lines, in any of these trades, that give preferential rates to any of the big interests of this country, the ones that I have named or others?

Mr. GERHARD. I have already explained—you speak of the Harvester Trust. The Harvester Trust does not ship goods itself. They sell goods to the merchants in New York and these are the very men that we trade with. These big concerns that ship from 50,000 to 100,000 tons apiece.

Mr. HUMPHREY. Do any of your lines give preferences—

Mr. GERHARD. I have already stated how we handle it. We drive the best bargain we can, generally, with one house first, you know, and after closing the contract with them then we notify the other shippers that we have closed on such terms and they generally fall in line and close with us. When we have closed with the large shippers we offer the same terms to every other man who wishes to come in on the same terms. So we make no special rates for the big shippers.

Mr. HUMPHREY. In other words, your lines do not make special agreements?

Mr. GERHARD. No, sir; we give it to the small shipper the same way as we do the large shipper.

Mr. HUMPHREY. I used the words "Harvester Combine" because I remember that was the expression used by some of these agents in testifying. I remember very distinctly that one of them said they gave them special rates because if they did not they were big enough so that they would put on their own lines.

Mr. GERHARD. The Harvester people do not ship. They do not ship a pound of freight. They sell the goods to commission merchants in New York, and those are the men we trade with. You can easily see it is most important for us to secure contracts with these big houses. That is most important to us.

Mr. HARDY. Do you know, Mr. Gerhard, whether or not the powers higher up, the real owners, have any secret understanding with these big institutions that there may be a rebate coming to them for their goods shipped over your lines?

Mr. GERHARD. I can speak for my own line. I am confident that they pay no rebate.

Mr. HARDY. At least, none of it comes through your understanding?

Mr. GERHARD. I am confident they do not. I am confident of that because Mr. Knott has always been very frank with me, and I am sure he would inform me.

Mr. HARDY. Is he one of the main owners of that line?

Mr. GERHARD. Mr. Knott is the managing owner of the Prince Line. Mr. James Knott is the managing owner.

Mr. HUMPHREY. In other words, if there are any secret rebates—if they are given to these big interests—you do not know it?

Mr. GERHARD. I do not know it. In fact, he has never interfered with negotiations in New York. He has never interfered with me. He leaves it entirely to me.

Mr. COLLIER. Mr. Gerhard, coming back to that conference which you gentlemen hold weekly in New York. Did I understand you to say that that conference fixed the rate to the Argentine?

Mr. GERHARD. Yes, sir; we fix the rates.

Mr. COLLIER. What is the principal factor which moves that conference in fixing those rates—the value of the vessel or the condition of the market?

Mr. GERHARD. We are guided really by the European tariff. We get a copy of the European tariffs and make our rates accordingly.

Mr. COLLIER. Suppose the market rises considerably on certain articles. Is not that a considerable factor in fixing the rate over here?

Mr. GERHARD. In that case we may advance the market over here, certainly. There are always fluctuations in the freight market.

Mr. COLLIER. What is that?

Mr. GERHARD. There are fluctuations in every market, and also in the freight market, and of course we are guided by it. We are not going to continue taking goods at a lower rate than we can charter ships for. That would be out of the question. A good many of these lines charter steamers, constantly charter steamers. And those charter rates are very high now. They cost a great deal of money, and even our present rates would hardly cover the charter prices now. We do not charter steamers. We have steamers belonging to the line, so I have no occasion.

Mr. COLLIER. But the rise in price—the rise in the market—of a present commodity very frequently causes a rise in the trade on that commodity?

Mr. GERHARD. Not the price of the commodity, but the general rise in the freight market would—not the price of the commodity.

Mr. COLLIER. There have never been any inquiries on that line, have there?

Mr. GERHARD. It is the supply and demand and the steamers. When steamers are very scarce, of course the freight market goes up very quickly. That has been the case for a great many years. The last two years steamers have been very scarce, and the result has been that the market has been very high.

The CHAIRMAN. Have you anything further to say?

Mr. GERHARD. No, Mr. Chairman; I do not think I have anything further to suggest.

The CHAIRMAN. On the general situation have you any recommendations to make?

Mr. GERHARD. As I have already stated, I think the less legislation we get into a business of that kind the better it is, because while it is stated, as Mr. Douglas stated here, that he did not consider the ocean as open any longer, it is very open. Anyone can come into the trade if they choose to do it, just as many other lines got into it, by fighting.

The CHAIRMAN. Is not this the situation—if some independent lines strongly backed should get into the trade and prove a menace to you, you would just take them in?

Mr. GERHARD. Probably I should try to make an agreement with them, yes. You are right.

The CHAIRMAN. If you did not do that would you not try to hammer him down?

Mr. GERHARD. Certainly, we should fight him just all we could.

Mr. HARDY. Mr. Gerhard, do you know whether that has been done at New Orleans or Galveston?

Mr. GERHARD. Well, not to my knowledge. The New Orleans venture, when we heard of those steamers we knew the result—see? We felt, we decided at New York, we would not move 1 inch on account of those steamers. We did not change our rates. We did not do anything. We knew the result. We knew what it would be when they chartered steamers at 6s. 6d. We knew what the result would be. We did not bother our heads about it. We just went our own way and attended to our own business.

Mr. HUMPHREY. You felt confident they would not be able to get any business coming back this way?

Mr. GERHARD. What is that?

Mr. HUMPHREY. You were confident they would not be able to get cargo?

Mr. GERHARD. Our steamers come up sometimes with 6,000 bags. Sometimes you hit up and get a bigger lot. Or, our steamers may come up light. Sometimes there is not enough cargo to load all the steamers coming up.

Mr. HUMPHREY. As a matter of fact a great many of those steamers come to this country from South America in ballast?

Mr. GERHARD. Our own steamers come from the River Plata in ballast. Some of them come all the way in ballast. Some of them come to Brazil in ballast and there load, and some go from the River Plata to Europe in ballast and then load across from Europe, because there is no cargo from the River Plata. I hope there will be one of these days when the duties are changed so as to enable the Argentine products to be brought in. Then we may get a return cargo from the river.

Mr. HUMPHREY. What are those products from Argentina on which you would like to see the duty removed?

Mr. GERHARD. I have not looked into that matter very closely, but I think there are products of wool—we do not get any products of wool. There is a lot more wool we ought to get from there. Then there are the hides and meat products, and a good many other products of that kind.

Mr. HUMPHREY. I am glad to have you make that statement for the benefit of my Democratic colleagues on the committee, as they are going to revise the tariff very soon.

Mr. HARDY. We could go a good deal further and ask for the removal of the duties of goods from other places.

Mr. GERHARD. From other places, yes. My opinion is that we are working on such a high basis, and everything is so expensive, as the result of the high tariff.

Mr. HARDY. We have got our wool rates so high you can not bring anything in?

Mr. GERHARD. That is my opinion.

Mr. HARDY. I think you are right about it.

Mr. AYRES. Speaking for myself, I desire to thank you for the frankness of your testimony and the help you have given us.

Mr. GERHARD. I want to help you all I can. I have nothing to keep back.

Mr. HARDY. I just wish you would tell of any company that they tried to organize at Galveston——

Mr. GERHARD. I never heard of a line from Galveston.

Mr. HARDY. It was some years ago.

Mr. GERHARD. I can not remember of ever having heard of it.

Mr. HARDY. If you fought them out you would remember?

Mr. GERHARD. We did not fight them. If we fought them I would recollect it and I would say so.

The CHAIRMAN. Is there anything else, Mr. Gerhard?

Mr. GERHARD. There is nothing else I have to say.

TESTIMONY OF WILLIAM E. HALM.

The witness was duly sworn by the chairman.

The CHAIRMAN. You may state your name to the stenographer.

Mr. HALM. My name is William E. Halm. I am manager for R. P. Houston & Co.

The CHAIRMAN. What lines do you represent?

Mr. HALM. R. P. Houston & Co., a line from New York to South Africa, and from New York to the River Plata.

The CHAIRMAN. You may state to the committee whether or not your company at present or at any time within the past few years has been in an agreement or agreements or had any understanding

with any other steamship line or lines as regards either freight or passenger traffic or both to and from the United States to the River Plata or South Africa, first taking the River Plata.

Mr. HALM. I think, with all due deference, that we will work a little better if we take South Africa first. I think we can dispose of it better.

The CHAIRMAN. Very well.

Mr. HALM. There is a conference governing the lines to South Africa.

The CHAIRMAN. Name the lines, will you, please, at this juncture.

Mr. HALM. Unfortunately, I left my papers at the hotel. I have sent for them. I will give you the proper names of those lines a little later.

The CHAIRMAN. You may state if these are the lines: The Clan Line Steamers (Ltd.), Coyzer, Irvine & Co. (Ltd.), The Bricknall Steamship Line (Ltd.), The Union Castle Mail Steamship Co. (Ltd.), the Prince Line, the Hansa Line—are those the lines?

Mr. HALM. Yes, sir. The conference in London control absolutely the operation of the steamers from New York. The Houston Line is not a member of the conference, although it acts in harmony with them. I understand and believe—I might say that I know—there is a pool. The freights are pooled, although there is not—I can not give you a copy of the agreement; I do not believe a copy is on this side of the water, all copies being held by the principals. I know that our people have not a copy.

Mr. HUMPHREY. Where are they held?

Mr. HALM. In London. I know our people have not a copy, not being a member of the conference. There is undoubtedly a certain portion of the business allotted to each line and each line puts on steamers according to that proportion, each taking their regular turns, so that the agents here are advised from time to time of the steamers named to take those turns, and, of course, their positions. The agent of each line, of course, will get the detailed information concerning the steamer to enable them to berth her and load her properly. The rates are made on the other side, only in London I would say, to make it more explicit, and are sent to us by mail or by cable according to the circumstances, and they are put into effect by the agents here. The agents meet regularly once a week at the various offices and there compare notes as to the position of the steamers; how they are filling and to put into effect any instructions in regard to rates that they may have received.

The rate-making power is entirely in London, although if there should arise special conditions in regard to American commodities the agents make recommendations in regard to those rates, and those recommendations are nearly always followed. There are a few contracts in existence in the South African trade. There is one with the Standard Oil Co. that was made through Messrs. Norton & Son, and they also, I believe, have a contract with the International Harvester Co., who, notwithstanding Mr. Gerhard's testimony, do ship small quantities in their own name to South Africa. The Houston Line contract with the New York Lubricating Oil Co., the terms and conditions being exactly the same as the Standard Oil Co. I will file that contract with you in a few moments.

Mr. HUMPHREY. Those two companies, are they in any way related?

Mr. HALM. In making contracts with the New York Lubricating Oil Co. we do duplicate the terms of the Standard Oil Co. contract in so far as the New York Lubricating Oil Co. were interested in the trades.

Mr. HUMPHREY. At whose instance did you make that duplication?

Mr. HALM. At the request of the New York Lubricating Co. They had learned of the common, well-known fact that a contract had since been made with the Standard Oil Co., and the New York Lubricating Oil Co. asked to be placed on the same basis, and they were.

Mr. HARDY. Have you a copy of the Standard Oil contract?

Mr. HALM. I presume I have a copy in the office. I did not bring it, because I presumed that Norton & Son, who made the contract, would be subpoenaed and would produce it.

Mr. HUMPHREY. Where did you get the Standard Oil contract in order to duplicate it?

Mr. HALM. At the time it was made. The Standard Oil contract was made under instructions and after considerable communication to and from the principals on the other side; Norton & Son simply acted as the agent for the lines in closing that contract.

Mr. HARDY. But your line was not one of those lines? Where did you get the Standard Oil contract in order to duplicate it?

Mr. HALM. Oh, we act in harmony; we are not signatories to the conference agreement, but we do act in harmony with them, I believe. I believe the Houston Line shares in the pool. I have every reason to believe so.

Mr. HARDY. They are in open communication with them, are they not?

Mr. HALM. Yes, sir. We also have a contract with the Union Carbide Co., which I will file with you.

The CHAIRMAN. You say the Houston Co. lines are not signatories to the contract, but act in harmony?

Mr. HALM. The conference; yes, sir.

The CHAIRMAN. And act under the terms of the agreement?

Mr. HALM. Yes, sir.

The CHAIRMAN. And, as you believe, share in the pool?

Mr. HALM. Yes, sir.

The CHAIRMAN. Why is it you are not parties to the contract itself?

Mr. HALM. Really I can not answer that.

The CHAIRMAN. Is it because you are an American line?

Mr. HALM. No, sir; we are not an American line.

The CHAIRMAN. You are not?

Mr. HALM. No, sir; Mr. Houston is a member of Parliament.

The CHAIRMAN. You do not know any reason why you are not parties to the contract, do you?

Mr. HALM. No, sir.

The CHAIRMAN. Will you undertake to get a copy of that agreement and give it to the committee?

Mr. HALM. I can not. I have asked our principals to supply me with a copy of it, and they have advised me that not being a member of the conference they have not a copy themselves.

The CHAIRMAN. Your principals?

Mr. HALM. Yes, sir.

The CHAIRMAN. Is there an agreement, or a copy of it, in the possession of anyone here present, to your knowledge?

Mr. HALM. I believe not. I do not think there is a copy in New York.

The CHAIRMAN. You spoke of having some contract here you were going to offer for the record. That was the contract with the lubricating oil company, was it?

Mr. HALM. With the New York Lubricating Oil Co. and the Union Carbide Co. I rather stupidly left my papers in the hotel this morning, and I have sent for them.

The CHAIRMAN. You have not those with you at present?

Mr. HALM. I have them in the city.

The CHAIRMAN. But you do not have them here?

Mr. HALM. Yes; I will produce them shortly.

The CHAIRMAN. If you have anything further to say, you may do so now.

Mr. HALM. That covers my statement as far as South Africa is concerned.

The CHAIRMAN. Have you anything further to say with reference to that trade?

Mr. HALM. No; except it might be well here to point out the advantages to the shippers generally of the arrangement. I know that pools sound to the people—the word “pool” sounds wicked, but our English principals have apparently found it is the only way to insure staple rates and regular service. I do not think that any shippers from New York have a complaint of any consequence against the South African Line. The rates are maintained at the same level as from Europe, and the service is regular and continuous; as many steamers are provided as necessary to carry the business off, without delay, so the shippers can order their goods from the interior in any quantities and as fast as they please, and is taken care of from the port of New York. Rates permit them to compete with the rest of the world, and I think you will find that all the shippers, under that arrangement, are fairly well satisfied. They are as satisfied as shippers can be. Of course we have unreasonable ones amongst them, as well as in any other trade.

The CHAIRMAN. I understand you to say there is no discrimination against American shippers in favor of European?

Mr. HALM. That is right.

The CHAIRMAN. The rate from Europe to South Africa and from the United States to South Africa is the same, is it?

Mr. HALM. Yes, sir.

The CHAIRMAN. Now, with reference to the River Plata?

Mr. STEPHENS. You stated that the Houston Line was not a member of the conference?

Mr. HALM. Yes, sir.

Mr. STEPHENS. It does, however, participate in the pooling arrangement of the conference?

Mr. HALM. I believe so. I am quite sure such is the case.

Mr. STEPHENS. Has it a partnership in the contracts made by the conference?

Mr. HALM. Yes; to answer that frankly, in the South African trade all contracts are made for the account of all the steamship lines operating, and each carries its proportion of the contract as it may be tendered to them by the shippers from time to time. In the case of a large shipper, such as the Standard Oil Co., they declare the quantity of cargo they have to move in the next 30 or 45 days, and you can readily understand that the amount of their cargo is such that no one line could carry it to advantage, either to their satisfaction or that of the Standard Oil Co. When they declare the amount of their cargo, that is allocated to the several steamers that are already scheduled.

Mr. STEPHENS. Including your own?

Mr. HALM. Including our own.

Mr. STEPHENS. There is practically no difference between your line and the conference lines, is there?

Mr. HALM. No, sir. We are to all intents and purposes a member of the conference lines, including the pooling arrangement, except that we have not actually signed the conference agreement, the reason for which I am unable to give.

Mr. HARDY. Is it your understanding that any contract to be made with a large concern you duplicate it with a small one?

Mr. HALM. That question has never come up with the South African trade?

Mr. HARDY. Would you, if anybody else duplicated your contract with the Standard Oil people?

Mr. HALM. We have. The lines have already duplicated it with the New York Lubricating Co. I do not believe there has been any request from any other concern for a duplication.

Mr. HARDY. Is not that New York Lubricating concern a part of the Standard Oil?

Mr. HALM. If you can honestly answer any question as to what companies are or are not affiliated with the Standard Oil Co., you can do better than most of our shipping people. I believe they are absolutely independent. They assure us that they are, and such inquiries as I have made confirm that belief.

Mr. HARDY. You enter into the same contract with them as made with the Standard Oil; there is no unity of interest between them and the Standard Oil understood to exist by you, is there?

Mr. HALM. No, sir; it is to enable them to compete with the Standard Oil Co.

Mr. AYRES. There are practically no return cargoes to New York from Africa, are there?

Mr. HALM. No, sir.

Mr. AYRES. To any ports here?

Mr. HALM. No.

Mr. AYRES. Has that fact, that circumstance, any effect on the question of the advisability or the commercial necessity of some method of cooperation in the outward trade?

Mr. HALM. No; I can not say that has a bearing on that point. Naturally it makes freights higher in South Africa than it would if there were return cargoes. When steamers discharge at South

Africa they go on to India, to Australia, or even to the River Plata to get cargoes.

Mr. AYRES. Can I ask, further, what reason did you assign for the fact that there are no return cargoes?

Mr. HALM. Well, it is not an agricultural country except to a very limited extent. Just now there has been a failure in their crops, and they are actually importing grain and flour from this country, and from the Argentine Republic and from Australia. They have no coal and iron, and therefore they do not manufacture. Practically their entire exportable commodities are diamonds, gold, ostrich feathers, and a small amount of wool. You can readily believe that gold and diamonds do not go very far toward filling those steamers. There are a few cargoes of wool, and very seldom a little grain.

Mr. HUMPHREY. I just want to ask you one question. You stated that the rates from Europe and from this country are the same, but all the rates are fixed in Europe. Might it not be—well, I will put it another way: If there are any rebates given European shippers, or any different rates, you know nothing about it?

Mr. HALM. No, sir.

Mr. HUMPHREY. That is within the range of possibility, is it not?

Mr. HALM. It is within the range of possibility, but not within the range of probability. Nearly every large concern in the United States is doing business to South Africa as well as other ports of the world, and maintain offices in the principal capitals of Europe—London more often than other capitals. They export—these commission houses act as buying agents for the firms in South Africa, and, acting in that capacity, they place orders with manufacturers in England and in Germany as well as in the United States, and they act as shippers, and these commission houses ship the goods. They must of necessity know of the rates and the arrangements. If one of these firms, shipping from England, were to get special rates from there, they would very quickly insist on getting the same special rates from this country.

Mr. HUMPHREY. As I remember, when I used to practice law the judge very frequently instructed the jury it was their duty to harmonize the evidence if they could; without finding anyone guilty of perjury, it was their duty to harmonize the evidence if it could be done on any reasonable, consistent theory. I thought we could very easily harmonize the testimony you have given and the testimony given by the gentleman on the stand before you with the testimony of these shippers, who say there are special arrangements made with the European shipper. I do not see any inconsistency in the stories you both tell.

Mr. HALM. I think, Mr. Humphrey, you have listened to the stories of a good many dissatisfied people, who are not large business men.

Mr. HUMPHREY. Of course it is naturally true; it is true in two instances. In the first place, the dissatisfied man is apt to make a noise if he can't get that treatment, and he is apt to be dissatisfied.

Mr. HALM. Yes.

Mr. HUMPHREY. So there is no question but what you are right about that.

Mr. HALM. Well, the truth of the matter is that the shippers from the United States to South Africa are well satisfied.

Mr. HUMPHREY. I had in mind more the South American trade than I did South Africa.

Mr. HALM. The reason I suggested we deal with South Africa is I noticed that when you dealt with two or three trades the conditions became confused in the minds of the committee.

Mr. HUMPHREY. The only complaint I ever saw about the South African trade, I saw where some gentlemen in Europe were making a very lusty protest that the shipper from New York was getting the best of it.

Mr. HALM. Yes; you will find complaints from both sides of the water.

Mr. HUMPHREY. I remember I saw that.

Mr. HALM. We receive many complaints that the shippers from this side—from the shipper—that lower rates are being given from the other side. We investigate each and every one of those, and we do keep the American shippers on a parity with those from England and Germany.

The CHAIRMAN. Now, Mr. Halm, let us turn now to the River Plata. Does your company now, or has it been at any time in recent years a party to any agreement or agreements, or any understanding or understandings, with any other steamship line or lines as regards the freight or passenger traffic, or both, to or from the United States to the River Plata or Argentina?

Mr. HALM. Speaking of the outward cargo, we have not been a party to any rebates or pooling agreement for many, many years. We are now acting in harmony with several other lines engaged in the traffic to the River Plate—the Houlder Line, the Barber Line, the Prince Line, and the Lamport & Holt. In addition to that there is the Norton Line, with which we have no understanding or agreement.

Mr. AYRES. Is that the same line you spoke of as Norton & Son a while ago?

Mr. HALM. Yes. The four lines mentioned, including ourselves, are working in harmony on a rate-making basis only. There is no agreement, no written agreement. There is no agreement as to the number or size of the steamers that shall be dispatched, the quantity of cargo to be carried, or in any respect except that of agreeing on rates.

Mr. AYRES. Where do you hold your conferences?

Mr. HALM. We have no conference office. We meet in the offices of the different lines, as may be most convenient. Sometimes it may be that something comes up requiring immediate consideration, and we may get together on the floor of the Produce Exchange and talk the matter over.

Mr. POST. How often do you meet?

Mr. HALM. We have a regular meeting once a week. At that meeting each line reports the name and position of the steamers, how they are fixed as to cargo and the quantity of cargo offering, the matter of rates, and the matter of agents' commissions.

The CHAIRMAN. Where are these rates in this trade fixed?

Mr. HALM. In New York.

The CHAIRMAN. By the representatives of these conference lines?

Mr. HALM. By these agents, yes, sir. We try to keep the rates on a parity with those from England and Germany. Our principals

from the other side advise us from time to time of these changes made in their tariff, and if the commodities are such that the American shippers are interested, we change our tariff to suit and follow them up or down, as the case may be.

The CHAIRMAN. Do you make joint contracts with the shippers in that trade?

Mr. HALM. Yes and no. Mr. Douglas, of Arkell & Douglas, filed with you a copy of the contract he has with the Houston Line. That contract is made by us with a number of shippers, or at least covering as many of those commodities named in that contract as they may be interested in. I will file a copy of that contract with the names of the shippers with whom we have contracts a little later. That contract reads—it provides that Arkell & Douglas, referring to that particular contract—that Arkell & Douglas shall give all shipments to the Houston Line, and we, in turn, agree to provide them tonnage for their shipments upon reasonable notice. There is nothing in that contract that implies a liberty to ship by any other lines, but as a matter of fact each contractor has the right to ship by any of the other lines working in harmony with us.

The question of shipping by opposition lines from New York has not arisen. The object in making the contract with one line is to satisfy the shipper as well as the shipowner. If the contract included all of the lines it would obligate each of those lines to provide tonnage, but there would be a divided responsibility which would not satisfy the shipper at all. In case of stress, a very sudden rush of cargo or steamers were delayed, that would cause more cargo to be accumulated than all the prompt steamers could move immediately, and he would be shifted from one to the other. I would tell him to go see Boyd, and Boyd would tell him to go see Barber to get his room. But with the contract with one, that line is responsible for the room; and that form of contract is considered by us and by the shippers as the one that carries with it the best carrying out of the contract. The shipper wants two things. The first and most important thing to him, and the one he must have, is room. The next, of course, is rate. But no matter what the rate is, the shipper can not do business unless he has the room; and he wants to make a contract that will guarantee him that room. After that comes the question of rate. That is very important. He wants equal rates. He can only get equal rates by combination of the steamship lines. Without that combination he can not be assured that one steamship line is not giving his competitor a better rate than he is getting, which spells ruin.

The CHAIRMAN. Is there a contract agreement between the conference lines, as between themselves, that each will make good the contract of the other and be responsible for any damage to the other?

Mr. HALM. No, sir.

The CHAIRMAN. Or that they will share in any liability?

Mr. HALM. No, sir. In my contracts I am solely liable to the contracting merchant, and I look out to see that room is provided for him.

The CHAIRMAN. Do you have any joint contracts at all?

Mr. HALM. I believe there is one joint contract. That is one made by Barber & Co. with the Standard Oil Co., for their lubricating products. The Standard Oil Co. insisted on having more frequent

sailing that Barber & Co. could give, and I believe that contract does name other steamship lines; and in that case each steamship line has assumed a certain definite liability as to the number and to the quantity of cargo it will carry.

The CHAIRMAN. State whether it is expressed in the freight contract that the shipper will not. Do you grant rebates to your large shippers?

Mr. HALM. Absolutely, no.

The CHAIRMAN. How do you treat the small shipper as compared with the large one?

Mr. HALM. They are kept on the same basis. As Mr. Gerhard explained just a little while ago, there are certain large firms that export enormous quantities of agricultural implements and that their contract—after the contracts are closed with them the small shippers are all given an opportunity to contract on the same basis. I may say in reference to our own contract, you will find a certain rate on lubricating oil to my contractors. That rate is the same as was given to the Standard Oil Co.

Mr. AYRES. It is graded as to the amount of shipments, probably?

Mr. HALM. That does not matter.

Mr. AYRES. It does not matter at all?

Mr. HALM. No, sir; the rate is the same, regardless of the quantity.

Mr. STEPHENS. But the contract rate is a reduced one; it is reduced below the regular tariff?

Mr. HALM. It is materially different from the regular tariff rate.

The CHAIRMAN. Is there such a line as the New York & South American Line engaged in the River Plata trade?

Mr. HALM. I believe that that is the name of what we call the Norton Line, to the west coast of South America. Its call is Bahia Blanca.

The CHAIRMAN. Mr. Lyon, it seems, is the agent for this line.

Mr. HALM. Oh, then I am mistaken. That is the West Coast Line, to the west coast of South America, touching at Bahia Blanca. We only touch at the regular ports that all the regular lines make.

The CHAIRMAN. This line seems to operate to Bahia Blanca?

Mr. HALM. I say it touches near Bahia Blanca, a port some 400 miles south of Montevideo; but none of the lines to the regular River Plata ports find it feasible to go there for the small amount of cargo at that port.

The CHAIRMAN. This one line, then, has a monopoly of the trade to that port?

Mr. HALM. No, sir; Grace & Co. also call in at that port with their steamers destined to the west coast of South America; and I believe that Houlder, Weir & Boyd have also two steamers in there destined for that port.

The CHAIRMAN. Is there any understanding between your own company and the New York & South American Line that it should keep out of the Brazilian trade on the River Plata; and, if so, you will do the same so far as the Bahia Blanca trade is concerned?

Mr. HALM. No, sir; there is no understanding. I can go into Bahia Blanca whenever I think it will pay me to do so.

The CHAIRMAN. Can you explain why Norton & Son are not parties to the River Plata conference?

Mr. HALM. No. I do not care to venture an opinion as to that. I believe they are subpoenaed and will answer it themselves in due time.

The CHAIRMAN. What do you know, if anything, or what information have you to give the committee, as to any rebate agreements from Argentina north?

Mr. HALM. I know nothing definitely of the northbound rates or arrangements.

The CHAIRMAN. What is your information?

Mr. HALM. I know from correspondence that there is a rebate arrangement on northbound business from the Argentine to the United States.

The CHAIRMAN. Have you the correspondence with you?

Mr. HALM. No. It is only ordinary correspondence referring to it as a matter of fact.

The CHAIRMAN. Have you the correspondence with you?

Mr. HALM. No; it is only ordinary correspondence, referring to it as a matter of fact.

The CHAIRMAN. Can you furnish the committee with a copy of that correspondence from which we may ascertain the facts?

Mr. HALM. Yes; I will give you such correspondence as I have. It is possible that I may have the circulars, but it is a matter that does not interest me.

The CHAIRMAN. You will do that then?

Mr. HALM. Yes, sir; I will do that. If I have it I will let you have it.

The CHAIRMAN. Do you recall whether those are deferred rebate agreements?

Mr. HALM. It is probable that they are.

Mr. AYRES. Mr. Halm, you say you are not interested in the northbound traffic. How are those freights collected? Doesn't your firm look after the collection of freights?

Mr. HALM. Oh yes, sir; to that extent. We handle the physical part of the steamers in discharging their cargoes. If the freight is collectable at this end, we collect it. I spoke of not being interested in it, in that I do not know anything about the freight rates. I could look up the manifest, I suppose, but if I should be asked to-day the freight rate from Buenos Aires to New York I should have to cable to Buenos Aires to get that information.

Mr. AYRES. Mr. Halm, you have a very wide knowledge, I understand, of railroad traffic and railroad regulations in addition to the shipping business. May I ask you if there are any combined rates between the railroads and the shipping lines in this country?

Mr. HALM. Not that I am aware of. Certainly none to South America or South Africa. Mr. Gottheil, who will follow me, has a thorough knowledge of the trans-Atlantic business and will probably be better able to answer that question than I.

Mr. STEPHENS. There may be no existing tariff, but are any such contracts made?

Mr. HALM. No.

Mr. STEPHENS. Not to your knowledge?

Mr. HALM. No; occasionally a railroad company will issue a through bill of lading from an interior point to a point in South

America, but it will simply be the sum of the railroad freights and the ocean freights which they have ascertained from us, and a through bill of lading is issued for the convenience of the shipper.

Mr. STEPHENS. You know of no instance where a reduced rate over your part of the line is concerned?

Mr. HALM. No, sir; there have been none.

Mr. AYERS. A little further, please; because, as I say, you have the reputation of knowing a good deal about traffic arrangements. You people are practically operating under an unrestricted monopoly?

Mr. HALM. The South African trade, yes.

Mr. AYRES. And the Argentine?

Mr. HALM. No; as to the Argentine, anybody can come in that trade.

Mr. AYRES. I know, but they do not come in and practically you have a monopoly? And it is an unrestricted monopoly, because it is operated solely by you people?

Mr. HALM. That is true of any trade. That would apply to any trade that a certain number of steamship lines are serving.

Mr. HUMPHREY. Isn't that practically all the trade in the world?

Mr. HALM. Certainly.

Mr. HUMPHREY. There is really no competition in freight rates in any over-sea trade?

Mr. HALM. Oh, no; I do not agree with you; there is keen competition.

Mr. HUMPHREY. In freight rates?

Mr. HALM. Yes.

Mr. HUMPHREY. Between the conference lines themselves?

Mr. HALM. Oh, no; but the whole trade of the world is not governed by conference lines; very far from it.

Mr. HUMPHREY. Do you know of any regular steamship line running in any foreign trade from this country that is not in some conference?

Mr. HALM. When you speak of "conference," the term "conference" as used in the steamship world, that means a very close combination, pooling earnings——

Mr. HUMPHREY. Do you know of any steamship line running over-sea from the United States under any flag that is not in an agreement, either written or otherwise, with other lines with reference to freights?

Mr. HALM. Why, yes.

Mr. HUMPHREY. Where are the lines?

Mr. HALM. Take our own case, to South America.

Mr. HUMPHREY. You have an agreement in your own case with the lines inside of your conference as to freight rates, don't you?

Mr. HALM. The Norton Line is outside of it and makes such rates as they see fit.

Mr. HUMPHREY. But you testified a while ago that they all received the same rates.

Mr. HALM. No; I did not——

Mr. HUMPHREY. Is there any competition between the Norton and these other lines to South America?

Mr. HALM. Yes, sir.

Mr. HARDY. South America or South Africa?

Mr. HALM. South America.

Mr. HUMPHREY. You have one place where you have real open competition in freight rates, then?

Mr. HALM. Certainly.

Mr. HUMPHREY. What is the name of that line?

Mr. HALM. The Norton Line.

Mr. HUMPHREY. I am glad to hear that. If there is a line in existence of that kind I have not been able to discover it yet.

The CHAIRMAN. There is the signal for the call of the House. We will take a recess until 2 o'clock.

Mr. STEPHENS. I would like to ask one question. About the making of freight rates in your conference in relation to the Argentine trade, you state that your conference tries to follow the rates made in Europe?

Mr. HALM. Yes, sir.

Mr. STEPHENS. Do they not follow them?

Mr. HALM. Not always.

Mr. STEPHENS. Can you change rates without cabling to Europe?

Mr. HALM. Absolutely. We make any rate that seems good to us.

The CHAIRMAN. That is, in the River Plata trade?

Mr. HALM. Yes, sir.

A recess was thereupon taken until 2 o'clock p. m.

AFTER RECESS.

The CHAIRMAN. Mr. Halm, do you desire to make any further statement?

Mr. HALM. I did not make myself quite clear about the Norton Line competition this morning. Witnesses yesterday testified that the rates were all the same by all of the lines from New York to the River Plata. That is quite true so far as the tariff is concerned. When we make any change in rates—I speak of the five lines that are working in harmony—we notify the Norton Line of such changes, in the hope that they will not cut our rates. And I am happy to state that up to the present time, as a general proposition, they do maintain our rates. In fact, they are extremely anxious to get all the revenue they can because they operate with some chartered boats that we have reason to believe operate at a loss. And they are just about as keen to get revenue as we are. But, notwithstanding that, we have reason to believe that when some desirable lots of cargo come forward they do not maintain our rates. In other words, if it suits them they cut our rates to get the business. We have no agreement with them at all or understanding in any way that they are to maintain our rates. Therefore, they are free to do anything they please. But we do consider it to our interest to keep them advised as to our rates in order that they may not cut us any more than we can help.

Mr. HARDY. Do you adopt any methods to run them out of business?

Mr. HALM. No.

Mr. HARDY. Have you any propositions pending to have them unite with you?

Mr. HALM. No, sir.

Mr. HARDY. Will your conference lines tolerate that kind of interference anywhere and everywhere without any effort to drive them from the field?

Mr. HALM. Speaking from New York?

Mr. HARDY. Yes.

Mr. HALM. Yes.

Mr. HARDY. Why is it you adopt in your Brazilian trade a system of rebates to prevent competition?

Mr. HALM. We are not in the Brazilian trade.

Mr. HARDY. But the lines that you are in conference with are, are they not?

Mr. HALM. That may be, but that is just as separate as can be. I know nothing at all about the Brazilian trade.

Mr. HARDY. And the Brazilian field—in the South American field—there is no rebate system?

Mr. HALM. I only know by hearsay about Brazil. I know nothing at all about that.

Mr. HARDY. I believe you said that from your understanding there was a system of rebates on the northbound freight from Argentina?

Mr. HALM. Argentina, yes; but understand that Argentina and Brazil are two different entities.

Mr. HARDY. I know you said you were not in the Brazilian trade, but you are in the Argentine trade, are you not?

Mr. HALM. Yes.

Mr. HARDY. And there is that rebate feature in the Argentine trade going northbound?

Mr. HALM. Northbound; yes, sir.

Mr. HARDY. Do you not use that to prevent the lines in your association from getting business down there in the Argentine trade?

Mr. HALM. No.

Mr. HARDY. Is it not reasonable to suppose that it would have that effect?

Mr. HALM. We would hope so.

Mr. HARDY. That is the purpose of it.

Mr. HALM. Yes, sir; but as a matter of fact it does not prevent competition northbound, because I do know that other steamers—you might say outside steamers—are loaded constantly from the River Plata to New York. The Munson Line, for instance, have a steamer on the way now, and the Norton Line also.

Mr. HARDY. Not working in harmony with you?

Mr. HALM. No.

Mr. HARDY. Does your provision there call for a forfeiture of the rebate if any other line is patronized?

Mr. HALM. I presume so.

Mr. HARDY. Is the effect of that gradually to tear down, weaken, and destroy these other lines?

Mr. HALM. The idea is, of course, to try to confine those shippers to our own lines.

Mr. HARDY. That is the purpose of it?

Mr. HALM. That is the purpose, undoubtedly; yes.

The CHAIRMAN. Is there anything further?

Mr. HARDY. I think your testimony has been given very frankly, and I admire you for it.

Mr. HALM. We have not anything to hide. We are seeking light the same as you are.

Mr. KIRLIN. Mr. Chairman, would you ask Mr. Halm what his views are as to the efficacy of the deferred rebate system as against the determined effort to run in any particular trade?

The CHAIRMAN. You may answer that question.

Mr. HALM. Well, the experience of many years of practice of the English and Continental lines, where ownership of probably 90 per cent of the tonnage of the world is located, shows that there is apparently only one way of securing adequate service to conduct the business of the world. That is, a pooling and rebate system. That system is recognized as lawful by the Governments of Great Britain and Germany. I probably could just give you a concrete example of the way in which that works in the business from New York to South Africa. As I stated this morning, the operation of this line by five or six owners produces regular sailings. It may be that it is the Houston Line's turn to dispatch the steamer and the steamer ahead of us is going to complete her cargo and sail about the 10th of the month. It is therefore the Houston Line's turn to furnish a steamer loaded on or before that date. The steamers of our fleet come up here from South America, many of them via the West Indies, where the delays are unpleasant. You will find a shortage of dispatching facilities or may be a case of plague or other disease, and we find that our steamer can not get here in time to make the sailing on the 10th. That condition of affairs is reported to our principals in London. They cast around amongst themselves to ascertain what other steamer is in position. We will find a Prince Line steamer, for example, is on her way to this country with a cargo from the Far East. She can fill our date. We will exchange terms. The trade is not discommoded. There is no piling up of cargo. It goes forward on schedule time without any friction or without any loss to the steamship owners. The Prince Line steamer, in the same way, with a little extra expense in discharging, is ready and goes ahead.

Take the South African trade. As I stated this morning, there is no return cargo from that country. It is a voyage of something like 7,000 miles, requiring about 30 days. There are about four steamers a month sailing from New York to South Africa at, of course, fairly regular intervals as far as the cargo will come in. About 30 days sailing, about 30 days to discharge, and about 30 days back in ballast would allow about three months for the earliest possible return of a steamer sailing from here. In other words, if a single owner went into that trade, they would have to provide a fleet sufficient to sail four times a month from here, and for the next two following months they would have to have a fleet of at least 12 steamers to take care of that trade, then returning in ballast.

Now, that in itself would be unprofitable. There would be a return voyage of over 7,000 miles in ballast, instead of proceeding to Australia or India and returning with cargo. If a steamship owner, in order to get the best results from his steamers, sends steamers from South Africa to these countries and return, either with cargo to Europe and in ballast from there here, or with cargo possibly for this country, you would have to estimate it would take five or six months in each case, and an owner would have to have at least 25 steamers to put there on that trade. There is no one owner in a po-

sition to furnish 25 steamers to carry on that trade. It requires the combination of a number of owners, with varied trades to all parts of the world to keep a constant succession of steamers on the berth.

Mr. HARDY. Your idea is that this method of rebating is simply a beneficent scheme by which you bring the shipper and freight together?

Mr. HALM. Yes. The rebating, of course, is an incident to the pooling feature. By this scheme of rebates they keep the shippers—some of whom are good and some are bad—absolutely in hand. Cargo can not come along whenever some tramp steamship owner thinks that that is a good market to go into and puts on a steamer for a single voyage. The shipper can not take advantage of that. He is bound to the regular lines that furnish him cargo space year in and year out.

Mr. HARDY. Your only reason for not using the rebate system on the downward voyage is because you take it to be contrary to our antitrust law?

Mr. HALM. Quite true.

Mr. HARDY. But nevertheless you accomplish the same purpose with the rebate system from the south going north?

Mr. HALM. No; you are entirely mistaken on that. The merchants that ship southbound are in very rare cases receivers of cargo northbound. For instance, a commission house forwarding goods from New York to South America, or the River Plata, handles all kinds of manufactured goods. The principal commodities coming northbound are hides, wool, and cabacho extract. Those receivers of hides, wool, and cabacho extract have no interest in the southbound business.

Mr. HARDY. What instrumentality do you use then to hold your trade in subjection between New York and Liverpool?

Mr. HALM. Between New York and the River Plata?

Mr. HARDY. Is there a rebate system in Europe coming this way, too?

Mr. HALM. No; there is a rebate system, I believe, from Liverpool to the River Plata, but that again has no connection or exercises no force on the shippers from here. We exercise no force in controlling our shipper from here to the River Plate except good service and reasonable treatment.

Mr. HARDY. Either downward or upward?

Mr. HALM. Downward, I speak of.

Mr. HARDY. Is your rebate system in vogue from Europe to America?

Mr. HALM. We do not operate there, and I do not know that there is such a rebate system in effect.

Mr. HARDY. Do not your ships all go to South America, take a kind of circular route, and eventually return—

Mr. HALM. We will come over in ballast. In coming from Europe to this country we place ourselves in the position of a tramp steamer. We do not have a regular trade.

Mr. HARDY. You mean these ships of yours that go to South America leave there and go to Europe, and leave Europe and come from there over here in ballast?

Mr. HALM. Yes, sir; or, if they secure a cargo it is chalk or some other low-grade commodity.

Mr. HARDY. Is not that a great waste of energy that could be cured in some way?

Mr. HALM. No.

Mr. HARDY. Why are you not in the market for cargo from Europe on these vessels coming back to America?

Mr. HALM. We are, if we can get a paying cargo. But you understand that no shipper out of Liverpool is going to give us a cargo for a steamer coming over here once in three months or six months, as against the White Star Line, running regularly.

Mr. HARDY. You have steamers going from here to South Africa four times a month?

Mr. HALM. Ah, but those steamers are furnished by these five or six lines engaged in that trade.

Mr. HARDY. Yet they have to return to this country still?

Mr. HALM. Yes; but some of them, as I say, go to Australia and load Australian cargoes for the United States. Some go to Calcutta and take jute and similar cargoes for the United States if they can get them.

Mr. HARDY. But your whole fleet has got to come back to this country?

Mr. HALM. Yes, sir.

Mr. HARDY. And they all work in harmony?

Mr. HALM. Yes.

Mr. HARDY. Then, why is it they do not bring freight when they come back?

Mr. HALM. Freight from Europe to the United States is not obtainable for an occasional steamer. You remember these four steamers a month belong to five or six different lines, and each owner adopts his own method of getting his own steamer back here. We have steamers there every two months for South Africa——

Mr. HARDY. My understanding was that these four steamers a month to South Africa were all managed in harmony.

Mr. HALM. Only so far as loading in New York for South Africa is concerned. When they are discharged in South Africa it is the owners' own problem to get that steamer or some other steamer back. It does not always follow that the same steamer is occupied in this trade. We load one of our fleet for South Africa, and we may not see her again for a year.

Mr. HARDY. You mean, you charter a steamer for South Africa and when she gets there you turn her loose?

Mr. HALM. If we use one of our own steamers, she goes to South Africa, and my principals in London make such arrangements as they see fit to get her back to the United States. When she gets to England she may not come back here to America. She may load down to the River Plata, and they will supply some other steamer for the next sailing.

Mr. HARDY. Still she is there, and belongs to your line?

Mr. HALM. Yes.

Mr. HARDY. Which is a very strong factor in the shipping?

Mr. HALM. Yes.

Mr. HARDY. And you let her come from there here empty?

Mr. HALM. Yes.

Mr. HARDY. And you do not make any great struggle for freight from Europe to America?

Mr. HALM. Oh, I won't say that.

Mr. HARDY. But you do not make any effective struggle; she practically comes back in ballast?

Mr. HALM. The only cargo that is obtainable for an occasional steamer coming over here—say a steamer that belongs to a line that does not sail regularly on fixed dates on a regular service—is probably not worth getting.

Mr. HARDY. That route is so long and entangled you can not make any fixed dates?

Mr. HALM. No; we can not.

Mr. HARDY. I have no other questions.

Mr. HALM. Of course, in loading for South Africa there is a long voyage. We have to carry a large amount of coal, which takes cargo space that we would like to sell to the shipper, and it is an expensive line to operate.

I should like, if the chairman please, to make some comments on the testimony given by Mr. Story as having a very direct bearing on this whole subject.

By the way, I hand you now the contracts that I failed to hand you this morning—the New York Lubricating Oil Co. and the Union Carbide Sales Co. to South Africa—and I hand you a sample of our regular form of contract from New York to the River Plata, together with the names of 19 firms with whom I have contracts, all of whom can have any of these rates they like, even if their contracts do not include all of them. The only reason their contract does not include all is because they are not interested in them.

The CHAIRMAN. You will remember you promised to get that form of the agreement.

Mr. HALM. I believe I told you our principals said they did not have it.

The CHAIRMAN. I believe that was Mr. Gerhard.

The four exhibits referred to were marked by the stenographer Exhibits Nos. 36, 37, 38, and 39, and are as follows:

EXHIBIT No. 36.

NEW YORK, October 6, 1909.

H. F. HALL, Esq.,

Assistant General Manager, New York Lubricating Oil Co., 116 Broad Street, New York.

DEAR SIR: Confirming our conversation of to-day, it is agreed that the following addition shall be made to contract between our respective companies, dated April 22, 1909:

Refined petroleum, per low top case, Belra, 26 cents ex ship.

Lubricating oil, wax grease, per cubic foot, 15½ cents ex ship.

Gas oil, fuel oil, advertising matter, stationery, per cubic foot or 56 pounds, ship's option, 16½ cents ex ship.

Naphtha, per ton of 40 cubic feet, 40 cents ex ship.

These rates are to apply only on shipments in vessels proceeding direct to that port, and not to apply on transshipments. The above is an addition to the contract and all other conditions are to remain as formerly.

Kindly acknowledge receipt and advise acceptance.

Very truly, yours,

R. P. HOUSTON & Co.
Per WM. E. HALM.

New York, October 8, 1909.

Messrs. R. P. Houston & Co.,

No. 111 Produce Exchange Building, New York, N. Y.

DEAR SIR: Your favor of October 6, relative to freight rates to Belra. to hand and noted.

We are very much pleased at the position you have taken in the matter and are glad to know that we can now ship to Belra direct without having to pay the excess freight necessary under the old arrangement.

Very truly, yours,

NEW YORK LUBRICATING OIL CO.
By H. F. HALL, Jr.,
Assistant General Manager.

Engaged for account of the New York Lubricating Oil Co. with R. P. Houston & Co., as agents for the Donald, Currie & Co., Bucknall Steamship Lines (Ltd.), hitherto working as American & African Steamship Line; Union-Castle Mail Steamship Co. (Ltd.), Cayzer, Irvine & Co., hitherto working as Union Clan Line; Hansa Steam Navigation Co. of Bremen; Houston Line; Prince Line; freight room for all shipments which the New York Lubricating Oil Co. will have for Cape Town, Mossel Bay, Algoa Bay, East London, Port Natal, and Delagoa Bay during the next two years from date at the freight rates and under the conditions enumerated below, namely:

That R. P. Houston & Co., as agents of the lines mentioned, agree on behalf of said lines to furnish at least one steamer per month for all the ports mentioned, except Mossel Bay, during the term of this contract; the quantity of cargo to be shipped to be declared by the New York Lubricating Oil Co. to R. P. Houston & Co. in ample time to allow for proper supply of tonnage, and all shipments to be made in steamers named by R. P. Houston & Co.

The usual form of line bill of lading to be used; all freight to be prepaid; all goods to be delivered alongside the steamers at the loading berths at the port of New York, free of expense to the steamers.

Shipments of naphtha (and) or benzine (and) or gasoline to be accepted, to an amount not exceeding 24,000 10-gallon cases, or equivalent per annum in such fairly average intervals as may be agreeable to both parties to the contract by the lines subject to the conditions imposed by the board of underwriters for stowage of same and subject to regulations in force from time to time of authorities at ports of loading and discharge (and) or Governments (and) or underwriters as to carrying naphtha and its products in quantities, and any extra cost incurred by steamer by reason of or owing to compliance with such regulations to be paid by shippers, but the New York Lubricating Oil Co. is not to assume any responsibility on shipments after they are made. If shipments are made in iron drums or steel barrels they must not exceed 53 gallons each, and such packages must be shipped on deck at shipper's risk. Deck space will be allotted by the agents to local shippers, so that no one steamer shall be required to carry more than a total of 100 drums (and) or barrels in all on a voyage, except by mutual consent. Shipments shall not be made in larger packages unless by mutual consent.

The rates of freight for the various ports are to be as follows:

	Refined petroleum per low-top case.	Lubricating oil, wax, grease, per cubic foot.	Gas oil, fuel oil, advertising mat- ter, stationery, per cubic foot, or 56 pounds, ship's option.	Naphtha per ton of 40 cubic feet.
Cape Town.....	17 cents landed....	11 cents landed....	12 cents landed....	31/3 landed.
Mossel Bay.....	22 cents ex ship...	13½ cents ex ship..	14½ cents ex ship..	37/6 ex ship.
Algoa Bay.....	17 cents ex ship....	11 cents ex ship....	12 cents ex ship....	31/3 ex ship.
East London.....	17 cents landed....	11 cents landed....	12 cents landed....	31/3 landed.
Port Natal (X).....	{ 17 cents ex ship....	} 12 cents landed....	13 cents landed....	33/- landed.
Or.....	{ 19 cents landed....			
Delagoa Bay (X).....	{ 18 cents ex ship....	} 13 cents landed....	14 cents landed....	35/- landed.
Or.....	{ 21 cents landed....			

All Cape Town rates are subject to a surcharge of 2½ per cent on the freight, such surcharge to be remitted if the harbor board at Cape Town revert to previous charges.

The rates to Mossel Bay apply only by steamers calling at that port.

(X) The New York Lubricating Oil Co. agrees to pay the ocean rate of 17 cents per case ex ship to Port Natal, and the ocean rate of 18 cents per case to Delagoa Bay, plus the actual cost of lighterage and landing goods on the wharf at these ports, including pier dues at Delagoa Bay; such cost to the New York Lubricating Oil Co., however, not to exceed a total which, when added to the ocean ex-ship rate, would be equivalent to 19 cents per case landed at Port Natal and 21 cents per case landed at Delagoa Bay, pier dues included.

In agreeing that all goods shipped under this contract are to be landed on the wharves by the steamers at Port Natal and Delagoa Bay, it is understood that the lighterage and landing of such goods at these ports shall be under the control of the steamship lines or their representatives, who assume and pay all the charges connected therewith, including the pier dues. If any separate and distinct sorting charges, however, are incurred at Delagoa Bay through regulations issued by royal decree, same are to borne by the New York Lubricating Oil Co. or their consignees.

Should the lines mentioned make a contract during the period of this contract for the transportation of similar articles to those mentioned in this contract at rates lower than those mentioned above, the New York Lubricating Oil Co. shall be given the benefit of such reductions on the same goods by the said steamer or steamers that carry the goods at the reduced rates.

This contract is to remain in force for a period of two years from date and to continue thereafter indefinitely, subject, however, to termination at the end of two years or at any time thereafter by a nine months' notice in writing by either party to this contract.

New York, April 22, 1909.

Accepted.

R. P. HOUSTON & Co.,
Per WM. E. HALM,
As Agents.

Witness:

R. A. NICOL,
WILLIAM B. SHEDDAN.

Accepted.

NEW YORK LUBRICATING OIL CO.,
Per H. J. HALL, Jr.,
Assistant General Manager.

EXHIBIT 37.

Memorandum of freight contract made this 15th day of November, 1912, between Messrs. R. P. Houston & Co., as agents, and the Union Carbide Sales Co. for all the shipments controlled by them of carbide of calcium during the year 1913 to Cape Town, Mossel Bay, Algoa Bay, East London, Port Natal, Delagoa Bay, and Beira, at the following rates of freight:

Cape Town, 35s.; Mossel Bay, 45s.; Algoa Bay, 35s.; East London, 35s.; Port Natal, 37s. 6d.; Delagoa Bay, 50s.; Beira, 60s.

Rates to Mossel Bay and Beira apply only when shipped in direct vessels.

All rates per ton of 2,240 pounds. Freight to be prepaid in New York on delivery of signed bills of lading.

Early advice to be given of the dates when shipments will be at seaboard ready for delivery, and destination to be named before shipment.

Shipments will be transported on or under deck of steamers at ship's option. The carbide of calcium is to be shipped in packages which are passed by the board of underwriters as suitable to be loaded on or under deck and are guaranteed by the Union Carbide Sales Co. to measure not more than 55 feet per ton of 2,240 pounds.

All shipments to be made from New York by steamers of the undernamed companies: Union-Castle Mail Steamship Co. (Ltd.), Bucknall Steamship Lines (Ltd.), hitherto working as American & African Line; Union-Castle Mail Steamship Co. (Ltd.), Cayzer, Irvine & Co., hitherto working as Union Clan Line; Hansa Steam Navigation Co. of Bremen; Houston Line; Prince Line.

It is also mutually agreed and understood that this contract covers the entire shipments controlled by the Union Carbide Sales Co. for shipment to South and

East African ports and outports, and that on shipments to outports, or ports not named in this contract, the usual advance over the rates to ports named in this contract is to be charged.

R. P. HOUSTON & Co.,
Per WM. E. HALM.
UNION CARBIDE SALES Co.,
By J. R. CRAWFORD,
Assistant Secretary.

NEW YORK CITY, November 15, 1912.

EXHIBIT 38

Memorandum of freight contract made this _____ day of _____, 1912, between R. P. Houston & Co., party of the first part, and Messrs _____, party of the second part, for their entire shipments from New York to Montevideo, La Plata, Buenos Aires, Rosario, and Bahia Blanca from date to April 30, 1913, included.

Party of the first part agrees to provide tonnage for all shipments which party of the second part has for shipment, provided reasonable notice of intention to ship (say, 20 days) is given, at the following rates of freight:

	Cents.
1. Harvesters, headers, binders, header binders, reapers, mowers, hayrakes, drills, stackers, seed sowers, corn pickers, hand grain shellers and parts thereof, carts, harrows, plows (except traction-engine gang plows)-----	16
2. Cleaners, hay presses, grain mills, grain planters, land rollers, pulverizers-----	18
3. Wheelbarrows, shovels, spades, hay forks, chairs, desks, and common furniture-----	20 17½
4. Windmill material-----	19
5. Agricultural engines and thrashers, including gas engines, traction and gang plows:	
Up to 3 tons-----	20
Over 3 tons-----	22
6. Binder twine, per bale-----	28
7. Machinery, up to 2 tons-----	20
8. Lubricating oil (until Dec. 31)-----	15
9. Automobiles:	
Not exceeding 2 tons (until Dec. 31)-----	15
Over 2 tons (until Dec. 31)-----	18
10. Sewing machines (until Dec. 31)-----	14
11. General cargo, not otherwise enumerated, current rates at time of shipment.	

All the above rates are to Montevideo and Buenos Aires and are per cubic foot or 56 pounds, at steamer's option, unless otherwise specified and on pieces not over 2 tons weight unless otherwise specified, but it is understood and agreed that it is not permissible to separate parts of one machine or more of the same class; in other words, if part of a machine is taken at the measurement rate, the machine entire must be carried on this basis, the same with weight freight.

It is agreed that the rates of freight to Rosario and Bahia Blanca for all shipments, irrespective of quantity, by any steamer shall be 4 cents per cubic foot or 56 pounds over the Buenos Aires rates, whether sailing direct or to Buenos Aires first. The rates to La Plata shall be 3 cents per cubic foot or 56 pounds over the Buenos Aires rates.

The rate on binder twine to Rosario, Bahia Blanca, and La Plata shall be 6 cents per bale over the Buenos Aires rates.

Rates on goods not covered by above agreement weighing over 4,480 pounds are to be mutually agreed to between the parties hereto.

Parts of any of the above-mentioned articles to take the rate of the complete machine.

All freights to be prepaid.

All shipments are subject to the terms and conditions of the Houston Line's River Plata bills of lading.

Kerosene, naphtha, lumber, rosin, and other rough or dangerous cargo to be subject to special arrangement.

It is mutually agreed and understood that this contract covers the entire shipments of Messrs. ————, estimated to amount to about ———— tons, from New York to the River Plata ports, and shipments shall only be made by steamers designated by R. P. Houston & Co.

It is further agreed that in case R. P. Houston & Co. reduce the rates of freight to any other shipper or shippers on any of the articles above mentioned during the period covered by this contract, then Messrs. ———— are to be accorded the benefit of all such reductions during the period that said rates are reduced.

EXHIBIT 39.

River Plata contractors.

American Trading Co.
Arkell & Douglas.
Chipman (Ltd.).
Donnell & Palmer.
Dufourcq & Co.
Graham, S. M.
Haebler & Co.
Hagemeyer Trading Co.
Markt & Schaefer Co.
Marquardt & Co., H.

Marsily & Co., F. A.
Peabody & Co., H. W.
Peck & Co., Wm. E.
Ramsperger & Co., H. G.
Rose & Co., L. P.
United Shoe Machinery Co.
Staudt & Co.
Swift & Co.
Williams & Co., J. D.

Mr. HALM. Mr. Story, as a representative of the unfortunate line that tried to inaugurate a service from New Orleans to Brazil and the River Plata, seems to have made an alarming number of untrue statements, which I can only ascribe to ignorance. On page 20 you asked him if they were offering a better rate than the conference line's rate. Mr. Story says:

Well, we are not cutting any rates. We never intended to cut any rates, and the rate that we were charging going down was practically the same rate that is being charged now by the conference lines.

The CHAIRMAN. He later came back and corrected that statement.

Mr. HALM. Yes, slightly; on the northbound business only; on the coffee business—not on the southbound business.

We had heard for some time of the effort to establish this line, and of course we were greatly interested in the effect on us. In due time we heard of the charter of the first steamer, the *Inca*, at the going market rate, of which, of course, we were fully aware. We knew exactly what cargoes the *Inca* could load. We knew fairly well the expenses she would incur in loading, the amount of coal she would burn on her voyage, the expense of discharging, and the time she would be performing that.

Then we commenced to hear from our shippers in New York about the freight rates being offered by them for cargo. Shippers came to us and asked us about the responsibility of the concern, and if it was wise to intrust their cargoes to them. We told them that the rates were so far below ours and so far below cost that we would not attempt to meet the rates; if they chose to ship with them, well and good.

To show the inexperience of the people operating this line, which doomed them to failure before the start, I will give you three or four concrete examples:

Our rate on hardwood lumber from New York to Buenos Aires was \$14 at the time this steamer started to load. Hardwood lumber

originates principally in the Memphis district, and the freight rate from the Memphis district to New York is about \$5.50 a thousand more than it is to New Orleans. So that if they had taken hardwood lumber from New Orleans at anything less than about \$19.50 they would have given the shippers a better rate than they could have secured by our steamers from New York. Instead of taking advantage of that situation in the slightest degree, they made a rate of \$12 a thousand—\$2 less than our New York rate and about \$7.50 less than necessary.

Our rate on resin from New York was \$9 per ton. Our resin all comes from the South, with freight rates to be paid to New York. Notwithstanding that fact, our New Orleans friends made arrangements for \$8 a ton, \$1 less than we charged.

On wine shocks, which are a very important item of tonnage to the River Plata, our New Orleans friends made a rate of 12 cents per cubic foot, as against the New York rate of 13 cents, notwithstanding the fact that the shocks could move to New Orleans at a rate of about 2½ cents a foot less than to New York. There again they threw away about 3½ cents a cubic foot.

The *Inca* took about 4,000 tons of agricultural machinery at 12 cents a foot, or \$4.80 a ton. The rate from New York was \$6.40 a ton. They lost on that one item alone \$1.60 a ton, or \$6,400. They made that rate in spite of the fact that the agricultural machinery originated in the Chicago district where the freight rate to New Orleans is 6 cents per hundred pounds less than to New York.

I estimated the loss to the *Inca* would be at least \$20,000. I have no means of knowing how correct my estimate proved, but they had \$30,000 paid-up capital to start with, and it lasted them for one round trip of that steamer, and two other steamers were redelivered to the owners with forfeiture of their charters in Brazil. Now, I maintain that that absolutely sets at rest any claim that the New York lines did anything to interfere with their operation. As I say, they killed themselves; they "died a-borning."

Mr. HARDY. That is a very interesting presentation of that feature, but it also brings up another feature. You instanced quite a number of large items, which can be gotten to New Orleans much cheaper than they can be gotten to New York. Why is it that your company does not run a line from New Orleans, and why do you shut the Gulf ports out of your communications?

Mr. HALM. I have looked into the Gulf ports several times with the idea of establishing from one or another of those ports to the River Plata, and we found that a line could not live.

Mr. HARDY. But there are lumber, and pitch, and machinery, all of which reach New Orleans at a cheaper rate than from New York?

Mr. HALM. Yes.

Mr. HARDY. Have you any kind of arrangement by which you concentrate all your export shipments so as to give New York the benefit of them?

Mr. HALM. No, sir.

Mr. HARDY. You started, I think, to explain why you did not start a line from New Orleans?

Mr. HALM. I will try to explain that to you. Lumber, as a general proposition, moves in full cargo lots. About sixty or more

steamers were loaded last year from Gulf ports to the Argentine; possibly more than that. Now, a shipper of lumber sells in sufficient quantities so that he can always fill a steamer, and that shipper charters a steamer direct from an owner, and loads it himself. Therefore there is no margin of profit for a concern loading a steamer for that account. You would always be in competition with the chartered price.

Mr. HARDY. You mean that the owner of the lumber would charter direct?

Mr. HALM. Yes, sir; and he can get a steamer just as cheaply as we can.

Mr. HARDY. Your facilities do not enable you to charter any steamers any cheaper than the sporadic employer of them?

Mr. HALM. No, sir; you can charter a steamer just as cheaply as the largest shipowner in the world if they are satisfied of your responsibility.

The CHAIRMAN. And yet you ship some lumber from New York?

Mr. HALM. Yes, sir; small lots.

The CHAIRMAN. You only have a small amount of shipments?

Mr. HALM. Almost entirely hardwood lumber.

The CHAIRMAN. How about this matter of machinery?

Mr. HALM. The machinery is not a regular movement by any means. The agricultural machinery goes there for their season of either harvesting or plowing, as the case may be. Mr. Hitch testified this morning to three or four firms that ship from 60,000 to 100,000 tons per annum of agricultural machinery. Probably one-half that quantity moves in a period of three months, and the rest is scattered. It means that through those three months you have a chance to put up an enormous amount of tonnage to move it, and the other three months you will be going bare.

Mr. HARDY. It is, however, to your interest to concentrate the point of export and get all your exports from one port if you can, is it not?

Mr. HALM. Undoubtedly; because the various character of cargo permits a better storage on your steamers.

Mr. HARDY. And permits you to have more regular business, does it not?

Mr. HALM. Yes, sir; certainly.

Mr. HARDY. In your explanation, however, of your not starting this export lumber trade at New Orleans, have you not given sufficient reason why Mr. Story should not have charged your rates from New York.

Mr. HALM. Certainly; the Munson Line has now started a line which has operated a few months from Mobile to the River Plata. The Munson people are experienced people, and we do not doubt they are going to make a success of their line.

Mr. HARDY. Mr. Story thought they were working in harmony with your conference lines. Is there anything in that?

Mr. HALM. Absolutely not.

Mr. HARDY. You have nothing to do with the Munson expedition?

Mr. HALM. No, sir. The general freight agent of that line told me a week or two ago that they had their eye on that trade for several years, and only recently they had found the opportune time to start. They are depending almost altogether now on lumber shipments

and are filling their steamers with it and leaving just enough room for such general cargo as it comes along, with the hopes that in the future there may become an established route that will give them a profitable business.

Mr. HARDY. They are still running from Mobile, are they?

Mr. HALM. Yes, with every prospect of continuing. Mr. Story stated that their great difficulty in their line was the failure to get the return cargo, and that—and he ascribed that reason. Now, Mr. Humphrey, this morning and yesterday, made the statement—referred to the large number of steamers that came back from the Plata in ballast. Well, now, if the New Orleans people had then operated their lines along the proper lines there is no reason why they could not return in ballast the same as other people do, but they were not foresighted enough to find out they could not get cargo. As a rather interesting feature of his testimony he says that: "There is one example I want to state to you. For instance, you take the European conference lines that operate from New York to the east coast of South America, upon which we are absolutely and abjectly dependent. Do you know on their downward trip they do not stop at the West Indian Islands—Barbados or Trinidad; they only stop on the way back. The reason is this: If they stop on the way down, the first thing you know all the West Indian islands would be trading with New York or other United States ports, and it would help the development of the United States commerce with those islands. Whereas, the object, naturally, of England—and you can not blame her—is to keep these people trading with the home country by the steamers that operate from Liverpool to the West Indies." It is such ridiculous statements as that gives the public the false impression that seems to exist. The Trinidad and Barbados section has ample service from New York. I have no doubt any of these steamship lines would be glad to put in more steamers if the cargo would justify it. I think Mr. Goodholt will testify on that point if it comes to him.

Mr. HARDY. What page of the testimony have you quoted from?

Mr. HALM. The last clause on page 23. Well, now, let us liken that to a railroad train starting out of New York for Chicago, for example. He proposes that the railroad train shall take some cars for Albany and drop them off at Albany, and then proceed with half a train, without any lessening of expenses of operation. That is the idea exactly. The rates to Trinidad and the Barbados being nearer to New York are naturally much less than they are to the River Plata. Why should a River Plata steamer take cargoes to the Barbados or Trinidad, and discharge there and go home empty? There is nothing shipped from the Barbados to Trinidad to take its place. Another thing, it is at least a four days' loss of time to send a steamer from New York into the Barbados or Trinidad on its way to the River Plata. Sometimes, when we have a particularly heavy cargo we do send steamers into those ports to replace the coal burned in passage, but it is at least a day's extra sailing in miles, a day's stoppage for coal, and there you buck the Para current, which means a further delay of two days more. There is no cargo obtainable, even if it paid Argentine rates, at those ports which would warrant you in stopping there.

Mr. AYRES. You were telling us awhile ago about the rebate system, I think, and the South African trade, were you not?

Mr. HALM. Possibly it was spoken of.

Mr. AYRES. May I ask you how long your steamers, the Houston Line, have been operating down there?

Mr. HALM. From New York I think it is about 13 to 14 years before I joined the company.

Mr. AYRES. Before you joined the company?

Mr. HALM. Yes, and I joined the company about 10 years ago. They were in operation then and had been for several years. They had been in operation from England probably about 20 years.

Mr. AYRES. Before they got into that trade was that same rebate system in effect there?

Mr. HALM. From England?

Mr. AYRES. Well, from the United States.

Mr. HALM. I really could not tell you. I really do not know.

Mr. AYRES. May I ask you if you know anything about the traffic down toward the Isthmus?

Mr. HALM. No; only by hearsay. You have spoken here constantly about making comparisons of the service between New York and the South American countries. There are very good reasons why the United States does not do the business with those southern countries. I think a number of you gentlemen here can look back and see the United States in her earlier days, when this country's needs, her railroads, all her developments, were supplied with money from Europe. That thing applies to-day in Argentina. It is a new country. The railroads all are being built by foreign capital in the Argentine, principally by English capital. Mr. Houston is one of the heaviest owners of railroad securities there. The young men from England, Germany, and so forth, go out there and settle. They conduct the more important enterprises. Their training is in the European countries from which they came. If they want any goods, any supplies for the railroads, they send home for them. They insist they shall have it. No matter if the American locomotive is as good or better, they are not acquainted with its merits. They want the old style English locomotive, if you please. They want the English rails for the railroads. Mr. Houston, being so largely interested in the Argentine railroads, places contracts for large quantities of railroad material.

I know positively that he has had the greatest of difficulty to convince the engineers passing on the supplies for those roads that the rails made in this country are equally as good. Mr. Houston, operating steamers from here, wants that class of cargo for this country, and he throws orders to this country. Naturally, he first will give it to his English friends if he can, but he prefers to have it come from this country than to go to Germany or Belgium; but it is with the greatest difficulty that you can get the Englishman or the German or the Spaniard in those southern countries to place their orders here, where they are unacquainted.

Mr. HARDY. Along that line, do you think any amount of subsidy would change those conditions?

Mr. HALM. Absolutely not.

Mr. HARDY. As I understand you, your conclusion is that the line of this trade is not for the purpose by the shipping company to

favor one nationality over another, but in the natural course of trade to explain that Barbados and Trinidad situation by showing that is a necessary route for the full voyage—for the full cargo?

Mr. HALM. Yes; we can not afford to load a steamer——

Mr. HARDY (interposing). Why is it you come by those places coming back, or do you come by those places coming back?

Mr. HALM. Yes; we do. And we are glad to do so. There is some cargo coming from the River Plata to the Argentine and to the West Indies in the way of meats and cereals.

Mr. HARDY. So you have some purpose in touching that country?

Mr. HALM. Not only that, but it is on account of the coal supply. There is no coal in the Argentine. All of the coal in that country is transported either from England or this country, but by the time it gets down there we have to pay about \$11 a ton for any coal we burn in our steamers. It costs us something over \$3 in New York; therefore we carry coal out of New York sufficient to take the steamer to Buenos Aires, discharging in the Plata, and come back to what we call the Islands, and there we replenish our bunkers with sufficient to bring us back to the United States. Practically all steamers coming from the River Plata to the United States stop at some of the West Indies to take coal to bring them home.

The CHAIRMAN. Why would not subsidies to American shippers in these trades solve this situation? That seems to be the intention of the advocates of subsidies.

Mr. HALM. As I understand the subsidy question, about all that has been proposed is to pay a subsidy sufficient to offset the increased cost of operation of American vessels over foreign vessels—the subsidy to be maintained until the American line has established itself, when it will be withdrawn. Now, I happen to have here a clipping from the Fair Play, probably the most prominent shipping paper in the world, which is headed "Nine years of cargo-boat earnings, for the years 1904 to 1912." It shows paid-up capital, debenture loan, book value of steamers, number of vessels, tons gross, profit on voyages, dividend on capital, per cent, depreciation written off, depreciation at 5 per cent. These cargo boats—I may say, by the way, that the transportation of the world is in cargo boats, not in your Lusitanias—have paid on the average during those nine years dividend on the capital employed 3.75 per cent.

In addition to that they have written off depreciation which can not be figured exactly in per cent, for the reason that methods of charging off depreciation vary; but during those nine years the amount written off for depreciation lacks £3,500, about \$17,000,000 less than 5 per cent. If you charge off your depreciation at 5 per cent that means your steamers can become obsolete and paid for in 20 years. As a matter of fact, a steamer in some trades and operated by some lines will become obsolete in far less time than that. Now, what do you offer anybody to come into the trade, even with a subsidy. You propose to pay sufficient to enable an American to invest his capital so that he can go into competition with these foreign-built steamers and earn what—3.75 per cent on his money. That average, I may say, has been increased considerably by the dividends paid in 1912, which amount to 6.82 per cent. Now, do you think that you can get any Americans—think of the opportunities for invest-

ment you have for your own money—do you think you can not do far better than 3.75 per cent on your money?

The CHAIRMAN. Let that go in the record.

Mr. HALM. I shall be glad to.

EXHIBIT 40.

Nine years of cargo-boat earnings.

Year.	Paid-up capital.	Debenture loans.	Book value of steamers.	Number of vessels.	Tons (gross.)
1904.....	£7,594,278	£3,157,128	£10,753,782	393	1,184,358
1905.....	8,577,424	3,775,681	12,353,849	464	1,362,049
1906.....	8,081,800	3,669,142	12,130,285	433	1,336,823
1907.....	9,167,259	4,448,905	13,782,764	490	1,516,401
1908.....	9,622,401	4,409,343	14,338,652	533	1,695,837
1909.....	9,517,011	4,985,051	13,915,494	508	1,603,341
1910.....	9,457,650	5,548,999	14,610,877	522	1,725,335
1911.....	9,883,584	6,261,588	15,717,739	535	1,833,360
1912.....	10,559,843	6,058,067	16,477,354	561	1,981,209
Average.....	9,162,361	4,701,545	13,781,196	493	1,582,079

Year.	Profit on voyages.	Dividend on capital.	Per cent.	Depreciation written off.	Depreciation at 5 per cent.
1904.....	£640,541	£277,129	3.64	£216,154	£622,725
1905.....	762,698	286,005	3.33	238,505	740,901
1906.....	979,545	327,445	4.05	348,651	731,971
1907.....	1,079,257	383,077	4.17	413,390	832,716
1908.....	1,145,387	335,165	3.48	393,696	876,170
1909.....	647,997	179,886	1.89	189,043	837,890
1910.....	842,511	217,681	2.30	290,115	864,187
1911.....	1,471,541	370,061	3.73	506,040	943,088
1912.....	2,869,516	720,558	6.82	1,463,919	1,011,028
Average.....	1,159,888	344,112	3.75	451,057	828,964

The CHAIRMAN. Right along that line, do you know what, if any, amount of American capital is invested in these conference lines?

Mr. HALM. I could not say. I should say very little, if any. I do not recall any now. Of course these companies are all stock companies, and I have no means of knowing where it is placed.

The CHAIRMAN. Where the stock is?

Mr. HALM. No.

Mr. HARDY. You do know, do you not, as a matter of fact, that a great deal of American capital is invested in shipping?

Mr. HALM. Yes, sir.

Mr. HARDY. Under foreign flags and in foreign corporations?

Mr. HALM. Yes; but that is generally for concerns like the Standard Oil Co., who have to have a vehicle for carrying their goods to market. Like the groceryman keeping his own wagon to deliver his own goods.

Mr. HARDY. You think, do you, that there is no large amount of American capital, except such capital as the Standard Oil Company has invested, in shipping facilities?

Mr. HALM. Outside of one or two concerns operating carrying lines at home, like the United Fruit Company and the Ward Line. They operate in Central America.

Mr. HARDY. I remember seeing an article by Mr. Clews, who said several hundred millions of dollars of American capital was invested in this foreign shipping.

Mr. HALM. Of course the Ward Line has a good deal of investments in Cuba and Mexico, right on our own doorstep. Take the United Fruit Company, their steamship line is an incident to their handling of fruit. We have advanced our rates sharply during 1912 over the previous years; the price of tonnage has advanced. I am sorry to say we have not been able to advance our rates enough to keep up with that advanced price of tonnage.

Mr. HARDY. What keeps you from doing it?

Mr. HALM. Competition with the rest of the world.

Mr. HARDY. Have you competition in Argentina?

Mr. HALM. Our merchants have, with Germany and Spain.

Mr. HARDY. It is competition with Europe which prevents your raising rates, is it?

Mr. HALM. Yes; if we raised our rates it would put our American men out of commission in a great many kinds of business.

Mr. HARDY. Are they not the same transportation companies that carry from Argentina to Europe, that carry from there to New York?

Mr. HALM. To a very slight degree. We have four or five which go from here, while they have many times that many from all parts of Europe.

Mr. HARDY. How many times that number from Argentina to Europe?

Mr. HALM. Probably eight or ten times.

Mr. HARDY. Is there a great deal more shipping that goes from Argentina to Europe than to here?

Mr. HALM. Yes, sir.

Mr. HARDY. And the Brazilian trade; is that from Brazil to Europe carried by the same companies which carry from Brazil to New York?

Mr. HALM. In some cases. In some cases the same lines, like the Prince Line and Lamport & Holt.

Mr. HARDY. Is there any competition from Brazil to Europe or is that subject to conference agreements?

Mr. HALM. I should prefer to have the Brazilian lines answer that. It would only be a matter of guess on my part.

Mr. HARDY. What I wish to get at is, if the same shipping facilities dominate and dictate the rates from Brazil to New York and Brazil to Europe they have the whole thing in their hands, have they not?

Mr. HALM. Oh, no; that is not the case. For instance, we have the Hamburg American Line operating to Brazil, to and from Brazil, but do not operate at all to the River Plata from New York. I believe they do dispatch some steamers from Europe to the Plata and from Hamburg.

Mr. HARDY. But I understood that the triangle was from Europe to Brazil, or from Europe to New York, Europe to Brazil, and back to Europe again, so the same lines were in conference and that the whole triangle was probably without competition.

Mr. HALM. No; that is not the case at all. That triangle talk has been overdone. It is the natural route on account of the large amount of business going to Europe. You take the Argentine, its exports so far this year; according to my last advices, the Argentines have exported something like 7,000,000 tons of corn, wheat, oats, and linseed to Europe. Maybe a few thousand tons might have come into the

United States, but that is a negligible quantity. Now, that means that there are bound to be a great number of steamers going from Argentina to Europe.

Mr. HARDY. Just one other question. Have you traveled from New York to Argentina and from New York to Brazil, either?

Mr. HALM. No, sir.

Mr. HARDY. Do you know, as a matter of fact, whether there is anything in the claim that the connection and communication is so fearfully bad between here and that country that we can not do any business because we have no line of communication for passengers?

Mr. HALM. It is all nonsense.

Mr. HARDY. You think passengers can come from Rio here as convenient as from Rio to Southampton?

Mr. HALM. No; I do not say that. We do not have the number of steamers plying between New York and the Brazils or Argentina that they have between Europe and those countries.

Mr. HARDY. If you did have, would it not be a necessary loss of investment if you had those passengers?

Mr. HALM. Not if the business warranted.

Mr. HARDY. If there was any such business, would it warrant it?

Mr. HALM. No.

Mr. HARDY. You just simply can not have the travel when there is no travel there, is that so?

Mr. HALM. The communication is not there; there are almost no Americans located in those southern countries. The Germans there, and the English, when they want to go home or do business, they go to their own home countries.

Mr. HARDY. Do you not really think it would be a good thing for this Government just to send some flying vessels down there every day or two so as to induce that traffic?

Mr. HALM. It would not induce the traffic, not at all. Take one means of maintaining service, one means for the maintenance of service between Europe and the Argentine. There are probably 300,000 laborers who go from the Mediterranean countries every year to the Argentine to harvest their grain and go back home again.

Mr. HARDY. There is a summer harvesting trip, is there?

Mr. HALM. Yes; they make a very cheap rate, something about \$30 apiece. Those people go out there for a jaunt, earn some money, and go back home and loaf, and go back another year. There is an item of 300,000 people; that will take several steamships to handle them.

Mr. HARDY. They must have something better than pauper wages down there in order for them to pay that rate every six months.

Mr. HALM. They are complaining constantly that they have not enough labor. Argentina is one of the most expensive countries in the world to live in. The claim is made that the business from the United States to that country is restricted by lack of communication. I have here the Daily Consular and Trade Reports—I do not find the date on it, but that is immaterial—it is a report made by the consul general, R. L. Barberman, of Buenos Aires, giving the imports and exports from the various countries of the world to Argentine during the first six months of 1911 and the first six months of 1912. During 1911 the imports from all the countries of the world amounted to \$172,600,000. During the same period

in 1912 the imports amounted to \$176,900,000, an increase of \$4,300,000. Now, under this restricted service that we have these foreigners are supplying the shippers of the United States. The United States business increased from \$21,000,000 in 1911 to \$27,400,000 in 1912, an increase of \$6,400,000, as against a total increase in the country of only \$4,300,000. In other words, we got \$2,000,000 and some odd thousand more than the total increase of the business. Our shippers increased 30 per cent during that period.

Mr. HARDY. With that, what was our per centum of the whole imports?

Mr. HALM. Fifteen per cent. The United Kingdom got 29 per cent. I will take them in the order of their size. Germany, 17 per cent; France, 10 per cent; Belgium, 5.6 per cent.

Mr. HARDY. Briefly, what was the substances of our exports down there?

Mr. HALM. The commodities?

Mr. HARDY. What did they consist of, our exports?

Mr. HALM. A little lumber and agricultural implements.

Mr. HARDY. Machinery?

Mr. HALM. Agricultural machinery; yes. Those would be resin, steel products, and coal. We have now commenced to ship coal to them.

Mr. HARDY. Not much clothing and stuff of that sort?

Mr. HALM. Not much what?

Mr. HARDY. Clothing.

Mr. HALM. Not a great deal. Our foreigners make clothing cheaper than we do.

Mr. HARDY. Are we selling shoes down there?

Mr. HALM. Some; I do not know what proportion. I notice, though, that we are carrying shipments of shoes. There is a constant increase in the finer goods from this country—shoes, underwear, domestics, and such as that. They have been constantly increasing, as they get a better quality.

Mr. HARDY. Something of the finer order?

Mr. HALM. Yes.

Mr. HARDY. The better classes are shipped down there because they want them?

Mr. HALM. Yes. I think that answers your question, about.

Mr. HARDY. You took up that line yourself, and I was glad you did because I wanted to know.

Mr. HUMPHREY. Were you speaking of passenger facilities awhile ago, as well as freight facilities, in making your comparison between this country direct to South America and from South America to Europe?

Mr. HALM. That would be included in it, Mr. Humphrey; yes.

Mr. HUMPHREY. Do you not believe that the fact that all these vessels are owned in Europe make them not by accident but by design make the travel from South America to Europe more inviting than from South America to this country?

Mr. HALM. No, sir; there is no reason why they should.

Mr. HUMPHREY. Do you not think it would be some reason, for instance—suppose a purchaser from one of those countries was contemplating coming to the United States to make purchases, do you

not think there would be some reason to try to get that gentleman to go to Europe to make his purchases, instead of coming direct to the United States?

Mr. HALM. No. I think all the lines operating steamers from New York would be equally glad to see him come to this country and purchase as to have him go to Europe. There are so many lines operating from Europe that no one line there would be capable of getting the business if they all go to Europe. There is a much better chance for the lines operating from the United States getting it—some one of the lines operating from the United States getting it, than if they were scattered all over Europe.

Mr. HUMPHREY. Well, do you not think it is perfectly natural that foreign vessels work for their own country instead of ours?

Mr. HALM. Well, to a very slight degree.

Mr. HUMPHREY. Their natural tendency would be that way?

Mr. HALM. Yes.

Mr. HUMPHREY. What do you think of the facilities, so far as passengers are concerned, between this country direct with South America and that between South America and Europe?

Mr. HALM. Well, I think—I am not sure when you came in, but I was explaining before you came in something about the enormous amount of travel between European countries and Argentine as warranting a great number of passenger steamers, and I also gave the reasons why there is so little travel between the Argentine and the United States, which could be developed to a very small degree only by an increase in the passenger accommodations.

Mr. HUMPHREY. One reason why we have such little communication with South America is because they purchase such a small amount in this country?

Mr. HALM. Yes.

Mr. HUMPHREY. And one reason, is it not, why they purchase such a small amount in this country is because they find it so inconvenient to get here?

Mr. HALM. No, sir.

Mr. HUMPHREY. You do not think that is a cause for it?

Mr. HALM. Very few of those purchases are made by personal visits. They are made by correspondence or through their representatives.

Mr. HUMPHREY. Well, it is a fact that the most of the passenger travel between this country and South America is by way of Europe, is it not?

Mr. HALM. I doubt that, Mr. Humphrey. I have no means of knowing what proportion go by way of Europe, but I rather doubt that the greater proportion does go that way.

Mr. HUMPHREY. My information is that practically all—not practically all of it, but approximately all of it—does.

Mr. Chairman, upon that point I would like to put into the record a letter that was written to me on July 15, 1911, by Mr. Fred. J. Gauntlet—who has made, as I recall, a great many trips from here to South America—on that particular point.

The CHAIRMAN. Mr. Gauntlet is here in attendance, and I would suggest that you wait until he goes on the stand.

Mr. HUMPHREY. Now?

The CHAIRMAN. I saw him Sunday and Monday, and he was here Tuesday. He stays here in Washington, and I think he would be very glad to come.

Mr. HUMPHREY. I expect to call him later, but I would be glad to put this letter in the record and would like to read a paragraph or two right on this particular point of this travel, so that it might be considered in connection with the testimony.

The CHAIRMAN. It is quite interesting, and I would like to have a chance to cross-examine him on some points of it before it goes in the record.

Mr. HUMPHREY. Very well. I want to say that the import of this letter—as recited by him, he has made a great many trips; my recollection is something like 20—and he points out that in his judgment one of the reasons why and one thing that tends to discourage trade between this country and South America is that it is an impression by general report in South America that the travel to this country is so uncomfortable and that the steamers are of such a character that the passengers do not come that way, but go by way of Europe. Consequently when they reach Europe they have inducements which would naturally come to a man spending money to spend it there instead of coming across the ocean. He says that in all the trips he has made he has never made but one from New York direct, and he would never make another, and calls attention to the fact that the steamers are not suitable for that trade.

Mr. HALM. That was pretty well set forth by Mr. Daniels yesterday, and he spoke of the improvements that had recently been made by the Lamport & Holt Line in the passenger accommodations.

Mr. HUMPHREY. That is the reason I asked about the new vessel. This letter, you know, is about the other vessels. It says there are not proper facilities; that the staterooms are right up against the engine room, and, of course, if you have a stateroom near the engine room when you get in the Tropics, you are not going through that experience more than once on a tropical trip; and he said he would never take that trip again.

Mr. HALM. I feel quite certain that improvements will be made in that trade just as rapidly, or possibly even more so, than the circumstances warrant.

Mr. HUMPHREY. You do recognize the fact, though, that if it is true that facilities between Europe and South America give sufficient accommodations, most of the travel will go that way and be a great handicap to us; is not that true?

Mr. HALM. Oh, yes.

Mr. HUMPHREY. Because, naturally, a man going to make a purchase of goods, unless he would make a large saving here, going to Europe as I have stated, would not come across the ocean.

Mr. HALM. If he felt he would save enough money he would come across.

Mr. HUMPHREY. Well, I say, if he thought he could save that.

Mr. HALM. Yes.

Mr. HARDY. That is the case with all lines of traffic. Where there is a little traffic, naturally the facilities are not equal to those where there is a great deal of traffic.

Mr. HALM. Yes.

Mr. HUMPHREY. The point I want to make is that the United States is practically a subport to Europe; and it is true, it seems to me, Mr. Chairman, that these foreign lines preserve no ships here, and when you refer to our ships in this country the comparison is not fair, because you refer to them as American ships as against American ships, and here we have a situation where the whole shipping in this country is dictated by our competitors.

The CHAIRMAN. Let us argue the case later. Is there anything further from this witness? If not, we will call Mr. Gottheil.

TESTIMONY OF MR. PAUL GOTTHEIL, REPRESENTING FUNCH, EDYE & CO., OF NEW YORK.

The witness was duly sworn by the chairman.

Mr. HUMPHREY. Were you one of the witnesses before the Steener-son committee?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Mr. Gottheil, state generally to the committee the different trades in which you are engaged.

Mr. GOTTHEIL. My firm represents a number of steamship companies in their freight business. We have no connection whatsoever with any passenger traffic of those steamship companies who are passenger lines.

We represent the Holland-American Line, which runs a weekly passenger service from New York to Rotterdam, and we represent the United Tyser Line, which runs a freight service from New York to Australia and New Zealand.

We likewise act for the Hamburg-American Line as its freight agents for their service from New York to Hamburg.

We also represent the Royal Dutch West India Mail Line, which runs a fortnightly service from New York to Haiti, Porto Rico, and Venezuela. They likewise run, or have been running, a weekly service to Trinidad, Barbados, Demarara, and Surinam, in Dutch Guiana, now reduced to a fortnightly service.

Mr. HARDY. Is that passenger or freight?

Mr. GOTTHEIL. They are both freight and passenger boats.

We also represent the joint service of the Hamburg South American Steamship Co. and the Hamburg-American Line, from New York to Brazilian ports.

We likewise are general representatives of the Scandanavian American Line, but particularly their freight business from New York to Christiania and Copenhagen, and as general representatives we have the supervision of their other service from Boston, Philadelphia, Newport News, and Baltimore to Copenhagen and Christiania.

We represent the German steamship company, Hansa, which has a service from New York to South Africa, New York to India, and New York to Java. The Hansa Co. is part owner of the United Tyser Line, already mentioned, and which has a service from New York to Australia and to New Zealand.

We are also the freight agents for the United States, China and Japan Steamship Line, running a service from New York to the Far East, to the Philippines, Singapore, Hongkong, Shanghai, and Japan.

I see that my summons also calls for particulars regarding the Sloman Line. That is under the auspices, practically, of the United States Shipping Co., for which I am likewise asked to appear. My firm acts as general agent of the United States Shipping Co. The United States Shipping Co., so far as the present summons is concerned, operates for the so-called Sloman Line from Newport News to Hamburg. I may say that the Sloman Line was bought some time ago by the Hamburg American Line and is now part and parcel of the Hamburg American Line.

I am also summoned to appear here on behalf of the German-Australian Line. The German-Australian Line is likewise a part owner of the United Tyser Line, already mentioned, and it is likewise a part owner of the line running from New York to Java. That is the service referred to in connection with the Hamburg. In addition, my firm does a very considerable chartering business from all ports of the United States, and has in that way connections along the coast.

The CHAIRMAN. Mr. Gottheil, you were here yesterday, were you not?

Mr. GOTTHEIL. I was not.

The CHAIRMAN. You heard the statement to-day by Mr. Gerhard with reference to the Brazilian trade?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. I do not want to go through that whole matter in detail. What do you say to his statement with reference to that trade, whether or not he has given, in substance, the facts as they exist to-day?

Mr. GOTTHEIL. He has undoubtedly given the facts as fully as I could probably give them myself.

The CHAIRMAN. You concur, then, in his statement with reference to the Brazilian trade?

Mr. GOTTHEIL. Yes. I can not think of anything that is worth mentioning that would differ, excepting perhaps to make one of two statements in connection with that trade. The statement I should like to make, first of all, is to repeat to this committee what I stated in my testimony at the time when I appeared before the so-called "Olcott" committee—that the total trade from New York to Brazilian ports covered 493 departures per annum at that time. I am quite certain that, taking the general expansion of trade, this number of departures has materially increased. If it interests the committee, I shall be very glad to get up statistics and submit the same. But, so far as that number is concerned—and which you will realize, gentlemen, means a steamer and two-thirds every working day—I think shows that the trade must be fully covered by the steamship opportunities offered on the part of the lines engaged in that business.

Mr. HUMPHREY. Will you at the same time submit a list of those that run from Europe in connection with them?

Mr. GOTTHEIL. I have no recollection of that.

Mr. HUMPHREY. I say, will you? I understood you to say you were going to.

Mr. GOTTHEIL. I shall be very glad to gather what data I can.

The CHAIRMAN. We will be very glad to have you do that.

Mr. GOTTHEIL. I will be very glad to do that.

I wish to say, furthermore, that at that time there were 110 departures to the River Plata. I am quite certain from my general knowledge of the business that there have been a great many more departures during the recent 12 months. There were also 77 departures to mid-Brazil and south Brazil, and I am pretty certain that this number has materially increased. I likewise stated at that time that there were 36 departures to the Amazon, and that in addition the balance was made up by connections to the more northern ports of Venezuela, etc.

I should furthermore like to state here that of the total business to Brazil the three lines which are working together and cooperating with each other have carried only 23 per cent of the total cargo. I make this statement because there seems to be a general impression, which is made a great deal of by parties who have interests of their own to serve, that these three lines monopolize the trade.

Mr. HUMPHREY. They carry what per cent—23?

Mr. GOTTHEIL. Twenty-three per cent.

Mr. HUMPHREY. What lines are those?

Mr. GOTTHEIL. The Lamport & Holt Line, the Prince Line, and our joint service, consisting of the Hamburg American and the Hamburg South American steamships.

Mr. HARDY. You mean they carry only 23 per cent of the northern trade—the United States trade?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. Or 23 per cent of the total trade?

Mr. GOTTHEIL. Of the total trade from the United States to Brazil.

Mr. HUMPHREY. What per cent of the trade do they carry of the ports at which they touch?

Mr. GOTTHEIL. That I do not know. I have not looked into that and it would be very difficult to obtain that.

Mr. HUMPHREY. It is very much larger than 23 per cent, is it not?

Mr. GOTTHEIL. I say that these lines carry 23 per cent of the total freight of the United States to these different ports, so that other companies or other steamships have carried 77 per cent.

Mr. HUMPHREY. There are certain ports, of course, in South America to which you do not go, is there not? Certain ports that your lines do not run to?

Mr. GOTTHEIL. Oh, that we do not run to—certainly.

Mr. HUMPHREY. In making your calculation as to the amount carried when you say "23 per cent" you mean the total amount from South America to this country, or do you mean—

Mr. GOTTHEIL. I did not say South America. I said Brazil.

Mr. HUMPHREY. Brazil?

Mr. GOTTHEIL. Yes. I desire to state here, in answer to your remarks, Mr. Humphrey, that we go to the ports in Brazil which take the most cargo. That practically outside of the Amazon there are no other ports that we do not touch at and we do not carry freight to.

Mr. HUMPHREY. What lines carry the 77 per cent?

Mr. GOTTHEIL. I did not say "lines." I said cargo by other steamers. There is the Lloyd Brasileiro. There is the Booth Line, running to the Amazon, and there is a considerable trade which is covered entirely for very proper reasons by charters and tramp steamers.

Mr. HUMPHREY. Do you have any agreement with the Booth Line as to what territory it shall occupy?

Mr. GOTTHEIL. No, sir.

Mr. HUMPHREY. Do you invade each other's particular territory?

Mr. GOTTHEIL. We do not, because that opens——

The CHAIRMAN. Mr. Gerhard went over that question, and he concurs in it, that it was a gentlemen's agreement, each one to keep off the other's territory.

Mr. GOTTHEIL. Mr. Chairman, it opens up a very broad question that I should like to touch upon in a general way after we get away from this particular question. Of course, whatever applies to this subject applies with equal force to all other ports that have a service from the United States.

The CHAIRMAN. I wish to take the witness over these various matters, and then we will clean up later on. I am not going into the Brazilian trade in detail, because he concurs in the view expressed by Mr. Gerhard. Referring to the South African trade——

Mr. GOTTHEIL. Well, before we go to that I should like to say also just a few words. I have not read the testimony of Mr. Story. I only heard it in a general way, but I think I could add something to what has been stated here to show that that enterprise was ill conceived in the beginning, and that it was engineered by somebody who knew nothing of the delicate position of the steamship trade. The Pan American Steamship Co., it seems to me, started in, to begin with, with an insufficient capital. There are no greater risks in any business that I know of than there are in the steamship business. It is a business that has to be learned from childhood. It is not a business that you can enter into at a moment's notice and feel that you can handle it efficiently. I have no idea of what Mr. Story's experience has been in that direction, or what the experience has been of his assistants or associates, but anybody could see that he was going about in a very inexperienced manner, and that his very foundation was wrong.

I wish to say that he started out at a time when the general improvement in the steamship trade had arrived, after a depression for about 10 years such as probably no other trade has ever gone through. Mr. Halm has given you figures, and I can assure you that they are quite correct, although I have no details. But worse than that, during that depression a great many of the English banks were highly involved in supporting steamship owners in furnishing them money for their enterprises. And steamers were running at a very considerable loss each year. They did not make their depreciation even. And whilst the preceding witness has told you that the life of a steamer is 20 years, and that therefore 5 per cent is a proper and absolutely necessary percentage to fix for depreciation, I wish to bring out the further fact that in my opinion and from my experience 5 per cent is not sufficient, for the simple reason that our underwriters, for instance, will not insure at the lowest rate a steamer carrying sugar from Cuba if she is over 12 years old; and the same way that they will not insure at the lowest rate a steamer carrying grain that is over 12 years old. They will insure some ships at an additional premium when they are 15 years old. I have my doubts whether they would insure a ship that was 20 years old, unless at a prohibitive rate. That shows that even 5 per cent per annum is not sufficient because the ships depreciate more quickly. The moment that the underwriters make a difference between a steamer that is 12

years old and younger and a steamer that is older than 12 years, that ship is at a disadvantage. She can not earn any more what she could earn before. She can not be employed in the best of trades. She has got to seek trades that will not offer her the return which she would receive when she was the proper age. By that I mean, for instance, that when a ship gets old she has to go out in the coal trade, she has got to go in the ore trade. That means that not only does she not get the best freight in the market, but she is limited in her sphere where she can seek employment. Further than that, she has to go into the trade where she carries bulk articles, which are very hard on the ship. They knock the ship to pieces. There is nothing worse for a ship than carrying ore.

Now, Mr. Story, to come back, worked into that business at a time when the market for the first time in 10 years had taken an upward turn, and the experience has shown also, incidentally here, that these upward moves in the steamship business are exceedingly limited. It may seem strange to those who are not well acquainted with the business that probably two years are about as long as a real upward movement will last. The present upward movement has been brought about by unusual conditions. We have gone through an inflated boom far beyond the conception of anybody in the trade, and that boom has been brought about by various facts, but very largely by delays which the steamers will experience all over the world. First of all there have been serious delays in the River Plata. Ships have been there from one to two months trying to get rid of the cargo. I am rather surprised that none of the gentlemen engaged in the River Plata trade have brought out this very, very serious disadvantage to anyone running a service to the River Plata.

Then we have had the coal strike in Cardiff, which laid up a great many ships. We have had strikes in Havre, where ships could not be discharged and had to lay for a long time. We have had some strikes here, and then we have also had the closing of the Dardanelles. If you gentlemen will consider that 200 steamers were laid up on either side of the Dardanelles waiting to go through or waiting to come out for three weeks, and if you will make a calculation of what that means in the tonnage, you will realize that it is a very important factor. Then, besides that I must not forget the serious troubles and strikes that the builders have experienced in England in getting through with their new tonnage. That all has created a scarcity of boats, and has forced an inflation in freight rates, which, I frankly confess, I never expect to see again. Here, Mr. Story, without evidently appreciating the situation, goes to work where he charters a steamer on time and pays her a freight rate which nets the owner something like 30 per cent profit.

I was once discussing with a steamship owner or manager the question of time charters, that is to say, steamers hired to a merchant at a certain lump figure per month. The owner pays the wages of the crew, the maintenance, and the insurance of the vessel. The charterer pays for the coal which the ship burns. He pays the expenses in the port where he may load and discharge, and pays all the loading and discharging expenses. Anyone that takes a boat on time charter runs a very considerable risk. Every delay at sea, every bad day in port, or strike and detention in the loading or discharging port means just so much a day against him. Now, add 6 shillings a

ton, that would mean about \$300 per day that the charterer has to pay. And the odds are all against him. Now, my friend said to me once when discussing time charters—we had both taken a boat on time charter together to run in a certain trade where the tonnage was not otherwise available and where we could not help ourselves—that when two people make a time charter there is always one big fool, and it is never the owner. Now, that is the feeling, that is the appreciation that is given to people who take time charters. Mr. Story could not possibly expect after paying an owner a profit of 30 per cent to make another profit on top of it. But further than that——

Mr. HUMPHREY. Might I ask you, right there, who was the owner of the vessel that Mr. Story chartered?

Mr. GOTTHEIL. One of the owners was J. H. Welsford & Co., of Liverpool.

Now, another thing that Mr. Story, so far as I have glanced at the testimony, brought out, and I believe gave as his special reason why the undertaking had not been successful, was a lack of cargo northbound. He states, "When the Pan American boats came back empty our people concluded it was no use to keep the line going and continually meet with a loss on the return voyage."

I have gathered some statistics here of what we have done on our service.

Mr. HUMPHREY. Before you take that up I should like to know how you ascertain the fact that the owner of this vessel made 30 per cent profit?

Mr. GOTTHEIL. Well, that is a rough calculation on my part, knowing what it costs, about, to run a ship.

Mr. HUMPHREY. Did you get any such statement from the owner of the vessel? Did you talk with him about it?

Mr. GOTTHEIL. Not from those owners, no. Unfortunately, I owned a steamer once myself, and I have had experience, and I can pretty well estimate—mind you, it may have been 35 per cent, or it may have been only 28 per cent or 25 per cent. but it was a big profit.

Mr. HUMPHREY. What I want to know is whether you talked with anyone who knew about the facts in relation to the chartering of this vessel on which you base your statement that he made 30 per cent profit, or whether it was merely an estimate on your part, knowing the ship?

Mr. GOTTHEIL. It is an estimate on my part.

Mr. HUMPHREY. You did not get any information, then, from anyone who owned the ship or knew about this transaction?

Mr. GOTTHEIL. I did not.

The CHAIRMAN. You do not mean to say what he did pay as a charter price for that ship?

Mr. GOTTHEIL. I know it was reported in the market what he paid.

The CHAIRMAN. What is that?

Mr. GOTTHEIL. It was reported in the market what the ship had been chartered at.

The CHAIRMAN. Your estimate, then, is based on the report in the market?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. That is what Mr. Humphrey wanted to know, where you got the facts as to what he paid.

Mr. GOTTHEIL. My facts are based on the knowledge that the Pan American people paid 6 shillings for certain ships, and on my general experience in my line of business, what it cost.

Mr. HARDY. You got his charter price, though, from the quotations in the market?

Mr. GOTTHEIL. Yes. Coming back to what I started to testify to, I have a list here of 16 northbound ships that were dispatched to New York from Brazilian ports in our service. I find that amongst these 16 ships only two of them obtained practically a full cargo, with only one other one which had a half cargo, and that several of them had no coffee at all. A few of them had a few bags. For instance, a steamer came up on the 19th of December with 3,073 bags. Another steamer came up with 11,500 bags, where a full cargo ought to be 100,000 bags.

I merely wish to show by this statement that if Mr. Story had understood his business he would have known that he had no right to count upon a return cargo as a certainty, because the coffee trade is peculiar. It moves certain seasons. It used to move much more regularly than it does now, but that is one of the matters that experience alone will show and teach.

Mr. HARDY. Nevertheless, Mr. Gottheil, you do not question the correctness of his statement that he could not get the cargo there because the merchants down there were restrained by the deferred rebate condition, do you?

Mr. GOTTHEIL. I have no doubt that is correct, and it is perfectly reasonable, it seems to me, that a man who comes in as a newcomer, who has not been tried, the merchants would not know really where they stood. Now I wish to show you another thing——

Mr. HARDY. But even if they do know would they turn loose their deferred rebates and go on to a new line?

Mr. GOTTHEIL. I think that if there had been no rebate system at all any prudent business man would have hesitated considerably before he would have given his cargo to a new venture with time chartered boats, where the owner has a right to put his fingers right on the cargo and say, "Pay me the freight." He might have paid the freight and had it collected the second time. There are all kinds of dangers to which a merchant would expose himself to a new service. He did not know when that man would come to New Orleans. That man might lie there in the port of Rio or Santos for a month trying to pick up a full cargo rather than sending the ship half empty, and where would the merchant be who had furnished the 5,000 bags of coffee? That would not be reasonable. No prudent merchant would attempt to do it, irrespective of the rebate system.

The CHAIRMAN. But I supposed he was offering them conditions just as favorable as yours, so far as sailings and other conditions are concerned. At least that is what I inferred from his statement. He said he was confronted with this condition, however, that these merchants said they would be very glad to patronize him, they would be very glad to give the tonnage to him, but if they did they had some deferred rebates, not only in the trade to the United States but in the trade to Europe, that they would forfeit, and the loss in that direction would be greater than the gain in the reduced rate on their shipments that were offered.

Mr. GOTTHEIL. In answer to that statement I will say that if the merchants had made such statements, and if I had been in Mr. Storey's position, I should have called the bluff. I have had experience on both sides of the fence so far as rebates are concerned. I have been connected with lines that had rebates. I have attacked lines that had rebates where I wanted to get in, and others have done the same thing. If Mr. Storey was sincere, had his backing, had his enterprise well in hand, and knew what he was doing, and if I had been in his position I should have gone to those merchants and said, "Gentlemen, I guarantee you against the loss of these rebates. You give me the cargo." Would not that have been cheaper than going in ballast? But he did not do it. He did not know his business.

Mr. HUMPHREY. It would depend upon what rebates were owing at the time, would it not?

Mr. GOTTHEIL. He could have afforded to have guaranteed the rebate.

Mr. HARDY. Mr. Gottheil, your argument is very fine, but does not the very fact that you resort to the rebate system show that you do not depend on the circumstances that you are relating entirely to hold that trade to yourself? The fact that you do have the rebates shows you need them, does it not; or that you want them in your business?

Mr. GOTTHEIL. Well, I do not think that proves anything, really, if you will pardon me.

Mr. HARDY. What does it prove?

Mr. GOTTHEIL. There is the broad question, of course, of the rebate. That brings me, of course, to a very, very wide subject.

Mr. HARDY. You have a purpose in that rebate system, have you not?

Mr. GOTTHEIL. I have what?

Mr. HARDY. There is a purpose in that rebate system, is there not?

Mr. GOTTHEIL. Undoubtedly that is the purpose—that is, the purpose of the rebate system is not only to protect the shipowner but also to protect the shipper, curious as it may sound.

Mr. HARDY. Still, the interest of the shipowner is primarily in the shipowner, is it not?

Mr. GOTTHEIL. The interest of the shipper is that the shipowner shall be put in a position where he can give faithful and proper service such as the shipper requires, that he shall give it to him throughout the whole year at fixed dates as may be announced, and to enable him to build up an efficient and proper service, so that the business of the shipowner and the business of the shipper shall develop together.

Mr. HARDY. Well, you are not willing to rely on that mutual interest alone to hold your trade, and you resort to this rebate—

Mr. GOTTHEIL. I say that the rebate system protects the shipper as well as the shipowner. I do not rely on the rebate system alone. I was going to say to you, gentlemen, that the reason the rebate system exists, as I understand it, from Brazil, is because it is a recognized system of the other side, and the people on this side evidently feel that it is customary from Europe and it should be customary and is lawful in Europe and in Brazil. But they safeguard themselves by the rebate system against a man who might come in

casually. There is no question about it. It is the only protection that the rebate system really affords to the owner.

Mr. HARDY. You think the rebate system is a good thing?

Mr. GOTTHEIL. That depends on how you look upon the matter. I think the rebate system is entirely unnecessary from this country. We have given it up.

Mr. HARDY. Have you given it up because the law required it?

Mr. GOTTHEIL. No. Who says the law required it? I do not say so, and you can not say so.

Mr. HARDY. A witness the other day said it had been tested in the courts, and that Senator Root and other legal lights gave the opinion that it was illegal in this country.

Mr. GOTTHEIL. My dear sir, I know also that in the Supreme Court the judges have differed very considerably on important questions, and they have had four judges on one side and five on the other.

Mr. HARDY. But you have a system here where we have an anti-trust law that you do not adopt down in Brazil.

Mr. GOTTHEIL. But the antitrust law is in court; two of our cases are in court. We hope we shall know after the decisions are rendered just where we stand. I do not think anybody will blame us for not knowing what the law means.

Mr. HARDY. But you do adopt a system in Brazil which you do not adopt in this country.

Mr. GOTTHEIL. The owners have adopted that system, and the reason—to come back to your question—why the system was dropped here is not altogether because—with due respect to all the gentlemen who are in the legal profession on this committee and to our counsel here—our counsel told us: “We think you had better give it up, because we claim that that matter perhaps should be tested.” But we gave it up partly because we found it created more or less trouble with our shippers; they have not been educated to it; they do not understand it. It was necessary because we rather felt that an efficient service, that by treating shippers loyally and with consideration, by having always, as far as one could possibly foresee, room available for them, by giving them every facility to develop the trade—and I make this statement most advisedly, in the face of misstatements that are being made in this country all the time against the foreign lines—by these facts, by working together with the shippers, by looking upon the shipper as a friend, as we do, we accomplish the same thing. And I do not exclude Mr. Douglas, in spite of his statements, because Mr. Douglas is one of our most important shippers. We are most friendly with him. But he has a little idea about subsidy, and he thinks that when he can say anything against the foreign lines he must bring it out.

Mr. HARDY. You and I are not differing about the subsidy. I just want you to come down to the admission that, notwithstanding all the arguments you have in favor of your lines, you nevertheless want to strengthen them by the deferred rebates, and that you do do it.

Mr. GOTTHEIL. We do not do it from here.

The CHAIRMAN. Is not this true: If you have the deferred rebate and the pooling system you can combine, and an independent would not have any more show than a snowball at the equator?

Mr. GOTTHEIL. I do not agree with you. An independent will have a chance in spite of the rebate system.

The CHAIRMAN. A very remote one?

Mr. GOTTHEIL. Not a bit. Take my own case. Ten years ago there were African lines—the Union Castle Line, one of the biggest of England, and the so-called American & African Line. They had a rebate system. The Hansa people listened to certain representations we had made to them. There was dissatisfaction. I am not withholding actual facts; I do not wish to withhold actual facts from this committee. I wish to give the committee every possible information, because the steamship man never has had a square deal and an opportunity to express his views at any time, because the moment he opened his mouth and had anything to say there was a cry: "He is trying to monopolize trade; he is not a good American citizen; he is only looking out for himself." And any stand that the foreign steamship agent might have taken, whether it were in connection with a subsidy or in connection with free ships, would be misjudged. So much so, as I stated in my testimony before the committee, that the late Mr. Schwab, a particularly noted man, when he was in the chamber of commerce in New York, did not vote either way. We have been keeping quiet, and we have had no desire to come forward, because our action, whatever it might be, would always be misjudged as being based on selfish motives.

So I want to say that when our friends listened to our representations and decided, because there was dissatisfaction among the African shippers, because the rebate system was not liked by them, because they were not given that consideration at that time which they should have received, we went into that African trade, and there was a rebate, and we put our ships on that. I am frank to confess to you gentlemen it was not an easy task. We put our rates down about 50 cents a ton below the rate which the regular lines were asking. And those people who had been most anxious that we should put on a service kept on working—tried their utmost—but they had no say over the freight; none of our shippers, if it comes to a point, has any say over the freight outbound. That freight is the freight of the buyer; he pays it; no one else. And when statements are made that the United States pays so much money to foreign shipping it is an absolute mistake. If I am situated in South Africa and I order 10,000 cases of oil, it is my freight, and I have the right to say which way the freight shall go. And there is another question which comes again to new lines and to subsidized lines. Everybody seems to think that the man who buys goods is the man who has all the say, if he likes, in regard to the forwarding of his cargo.

The CHAIRMAN. You do not agree with this statement that we are paying the equivalent of \$300,000,000 in gold to the foreign ship lines?

Mr. GOTTHEIL. No, I do not; because I am paying it——

The CHAIRMAN. I do not believe it, either.

Mr. HUMPHREY. No; they are probably running for nothing.

Mr. GOTTHEIL. To come back to the Hansa matter, we had a hard struggle. I think we had about 250 tons of cargo engaged. I tried to persuade my principals on the other side that the fight was not going right, that the method was not correct, that there was a rebate

system—these people who had largely induced us to go into the trade, although they worked faithfully, their people in Germany would not let them ship by the Hansa because it was their freight; they had the say about the amount of cargo, and they were satisfied to remain with the established lines.

That went on until the ship was on the berth, and to help the situation along a little—we had already been running to India—we took half a cargo to India. It was on our way anyhow; we had to go to India finally, but, of course, in order to win the fight, in order to get the cargo, we had to do something; and, to make a long story short, we dropped the rate something like 30 odd per cent.

Mr. HUMPHREY. You finally made an agreement with them?

Mr. GOTTHEIL. Not at all at that time; not a bit of it. There was no agreement at that time. But we dropped the freight rate 30 per cent below the freight of the allied lines, and our ship was full in less than a week, because the moment those people saw that our concern was determined to have a share of that trade there was nothing in the world that could keep it out. And so it will be, gentlemen, with every trade. The position of the lines to-day is the development from what it was at first.

The CHAIRMAN. How much backing did you have in your venture against their combine?

Mr. GOTTHEIL. The Hansa Co., the third largest company in Germany.

Mr. HARDY. In other words, when you get a powerful enough antagonist you can hold your own until you make terms?

Mr. GOTTHEIL. You do not need a powerful antagonist. The Prince Line worked its way into the Brazil business, and at that time the Prince Line was not particularly big or strong. It has since become so, but it was not at that time.

Mr. HARDY. But it had all the money to go as far as it was venturing. It was building a small house, and had the material to complete it and then enlarge it.

Mr. GOTTHEIL. Of course, a man has got to have a certain amount of backing, and that is the case in every warfare, whether it is commercial, or whether it is between two countries.

Mr. HARDY. Now, Mr. Gottheil, if you had an antagonist, who owned just one vessel and had plenty of money to keep it going, and you knew he was going to do it, you would consider him right smartly, more than you would a man who had 3 or 4 vessels, but not the means to keep them going?

Mr. GOTTHEIL. If a man had one vessel and tried to get into the trade, I do not think we should recognize him. You take one vessel; that will come around every six months in those trades—

Mr. HARDY. I am just making a small illustration. Probably it would be so insignificant you would not consider it. But you would rather run up against a big thing poorly backed than a little thing well backed?

Mr. GOTTHEIL. I do not quite agree with you there, for this reason, that so much depends upon the man who is directing the business.

Mr. HARDY. What is the difference whether you will take a man in or crush him out?

Mr. GOTTHEIL. Determined effort, showing that he is bound to have a share of that particular trade.

Mr. HARDY. If he shows he can have it anyhow, you will take him in?

Mr. GOTTHEIL. If he keeps on fighting. We have been fighting sometimes for 10 years——

Mr. HUMPHREY. It is a question which is the best for you in the end—to fight him or take him in?

Mr. GOTTHEIL. For ourselves?

Mr. HUMPHREY. Yes.

Mr. GOTTHEIL. We do not want any fights, for two reasons: First of all, it means an enormous amount of work and worry. Nobody has any idea what we have sometimes gone through—what I personally have had to contend with—when we were carrying freight at \$2 a ton 16,000 miles—the rate of freight that you pay when you want to ship cargo from New York to Newport News. We do not want it at all. We would rather not have a fight. Besides that, our company is very materially affected, because our commission is paid on the freight earned on the ship; and the fight means a very material reduction in the earnings on the vessel, and our pocket loses accordingly.

Mr. HUMPHREY. Then, after all, it is a question of policy relative to your own interest whether you drive a man out or take him in?

Mr. GOTTHEIL. It is not a question of policy, so far as we are concerned.

Mr. HUMPHREY. It is a question of self-interest, isn't it?

Mr. GOTTHEIL. It is a question for the principals to determine whether they wish to fight or wish to make peace. As a rule they fight.

The CHAIRMAN. Let us come back to some matters that I want to bring up. You heard the statement of Mr. Gerhard and also of Mr. Halm in reference to the South African trade in which you also are engaged? Now, tell the committee whether you agree with the statements made by them with reference to that trade.

Mr. GOTTHEIL. I think that the statement in regard to the African trade is pretty correct as a whole. I might add a few remarks about that particular trade and bring out perhaps one or two things that have not yet been said.

The CHAIRMAN. Please do so briefly, then.

Mr. GOTTHEIL. I want to say, first of all, that my understanding is that the New York Lubricating Oil Co. is particularly antagonistic to the Standard Oil Co., and my statement is based upon the fact that they made serious complaints at one time because they claimed we were not giving them the same rates as the Standard Oil Co. That is merely in connection with the remarks made here that possibly it was an affiliation with the Standard Oil Co. I am quite certain in my own mind that it is not.

Now, in the African trade, as well as in the other trades where European rates are made to our shippers here, I want to say that these European rates have been demanded by the shippers. In order to compete with Europe they have insisted upon it in the early stages of the business, because it was the basis which they required in order to compete successfully with their strongest competitors. The ship-

owner, I believe, is perfectly justified in demanding, as he demanded at that time, a higher rate of freight from New York than he was taking at that time from Europe. As has been explained to you, gentlemen, there is practically no return cargo from Africa except at certain seasons of the year, and the ships have to work their way from Africa either by way of India or by way of Australia to Europe, and then are obliged to come back in ballast from Europe to enter upon their service at New York. This means a very material expense, that expense in coming from Europe being at least \$6,000. In order to forestall a possible question from Mr. Humphrey as to where I got my figures, I will state that I have had experience in bringing boats on time charter across the Atlantic with cargoes or in ballast. I know what it cost me. I have just had a boat arrive at Philadelphia which, owing to the bad weather, took 30 days to cross, and it does not take much figuring to show what that cost.

So that at that time the shipowner, looking at the matter purely from his own standpoint, was quite justified in asking higher rates from America. But beyond this there is one particular question which you gentlemen, I think, should bear in mind, and that is that the earnings of a ship loading at New York for any of these ports we have mentioned—Africa, Brazil, Australia, or China—are materially lower on the same basis of trade than the earnings from Europe here. My explanation is that all cargoes from Europe are of a much more miscellaneous character. The basis of a great many of our cargoes to Africa, to Brazil, to China, to Australia, is rough cargo—case oil, lumber, rosin, and the like—which pays a very low rate of freight comparatively speaking. You would take all the goods that are shipped from France alone—silks and manufactured goods, statuary, wines—they all pay a rate of freight very, very materially higher than anything in the shape of general cargo that we have got, so that the freight earnings, owing to the higher grade of cargo are very much larger from the European ports, although we have the same basis, as they are from New York, but not enough with this. The expenses at a port like New York, compared with a European port, are so extremely high and so much greater than they are on the other side, that there again is a decided disadvantage.

Mr. HUMPHREY. Wherein does the difference consist? I should like to know, asking that question purely for personal information.

Mr. GOTTHEIL. Which difference?

Mr. HUMPHREY. The difference of cost in port charges. Perhaps that is too restricted. You stated the cost at New York was so much greater.

Mr. GOTTHEIL. The cost at New York is, first of all, leaving port charges pure and simple alone, such as pilotage and the tonnage dues which we pay to the Government, putting them aside——

Mr. HUMPHREY. They are not higher, are they?

Mr. GOTTHEIL. They are higher, but they are not materially higher. The great expense is in the first-class handling of the vessel. At New York we have a pier rent to pay, which I do not believe you pay anywhere else in the world.

Mr. HARDY. To whom do you pay that?

Mr. GOTTHEIL. To the private company, or to the city dock.

Mr. HARDY. You pay it mostly to the railroad company, do you not?

Mr. GOTTHEIL. Not at all, not a single railroad company at all. The docks of New York are different from all other ports along the coast. You go to Philadelphia, Boston, Baltimore, Newport News, and you pay nothing, because you go to the railroad wharf; it is a terminus; the cargo comes in to the wharf and is loaded practically from the cars into your ship, and there is the attraction to the shipowner getting these vessels to go to their different ports. In New York we have municipal docks where the rental of a pier is perhaps \$150,000 a year—a passenger pier. We have private docks and we ourselves, or some of our lines, have a pier in South Brooklyn, where our annual rental is \$60,000 a year, and it would probably, today, be \$80,000 a year if we had not made a long contract some two years ago. Now, in addition, we have all the other terminal expenses that are heavy in the way of the staff on the dock, and of course the most important item, perhaps of all, is the difference in the wages which we have to pay here as compared with the wages that are paid to the men in Europe, who load and unload ships.

Mr. HUMPHREY. What I was particularly interested in, and what I wished to know, was whether we were disadvantaged as to physical conditions, because I happen to be a member of another committee, the Rivers and Harbors Committee. I was under the impression we were spending enough money not only at New York but in other ports, too, so far as port conditions were concerned, to equal any in the world.

Mr. GOTTHEIL. I think the United States Government is spending a lot of money to increase the harbor facilities, such as providing sufficient water for ships, a channel, and so on, and in that part I am quite certain the United States is most liberal, but it does not provide for the other expenses I have enumerated.

Mr. HUMPHREY. That is what I am interested in knowing, whether it was due to any physical conditions or not.

Mr. GOTTHEIL. Well, I merely wanted to show to you gentlemen why I think that, as far as this agreement is concerned, that I believe that nobody could possibly provide a condition that is more favorable than the condition which exists at present, by which the American shipper and the American manufacturer is enabled to compete successfully with his main competitors, although it is done at a considerable difference on the part of the shipowner.

The CHAIRMAN. A loss of profit, do you mean?

Mr. HARDY. You think he is treated fairly, and even more than fairly, taking everything into consideration, do you not?

Mr. GOTTHEIL. I think the American shipper has no ax to grind whatever.

The CHAIRMAN. You speak of the agreement. Do you agree with Mr. Hitch and other witnesses that there was an existing agreement with reference to the South African trade between these conference lines?

Mr. GOTTHEIL. There is, so far as I understand. I have no means of knowledge. I understand there is an agreement between those lines.

The CHAIRMAN. Did you ever see that agreement?

Mr. GOTTHEIL. Never.

The CHAIRMAN. You have no copy of it in your possession, have you?

Mr. GOTTHEIL. I have not.

The CHAIRMAN. As called for by this subpoena?

Mr. GOTTHEIL. I have not.

The CHAIRMAN. Couldn't you get us a copy of it?

Mr. GOTTHEIL. Do you wish me to get you a copy?

The CHAIRMAN. Yes.

Mr. GOTTHEIL. I would be glad to try, and I see no reason why they should not supply it to the committee.

The CHAIRMAN. Do you not think you have influence enough with your principals to get it?

Mr. GOTTHEIL. Well, if you get me a man on the other side who has his own opinions, influence may not go a long way with him, but I will try my best, because I think it is an opportunity to show——

The CHAIRMAN (interposing). We will judge your influence by your success or failure.

Mr. GOTTHEIL. Oh, yes. You may be disappointed.

The CHAIRMAN. What do you understand to be the terms of that agreement?

Mr. GOTTHEIL. I have no idea what it is.

The CHAIRMAN. It includes a rebate feature—you understand that, do you not?

Mr. GOTTHEIL. There are no rebates, I am sure, because if there were we would know it. There used to be rebates, but they had been given up.

The CHAIRMAN. Well, there is a pooling arrangement, is there not?

Mr. GOTTHEIL. I believe so. I have no means of knowing, but I think so. I should like to add just one thing here in connection with certain questions that were made; they refer most to the African and the Brazil agreement. I think it should be stated here definitely that the Prince Line, which has a service both to Africa and Brazil, has no European service to those ports. It has no service. Now, just to counteract statements to the effect that there is a shipping trust, that the business is divided between the different lines, and that it is regulated by European influences, I am quite certain from my knowledge of Mr. Knott, the manager of the Prince Line, that if ever any question arises as to the question of rate, being equal from here, compared with Europe, that if anything he will work in favor of the American rate being lower, because it is to his interest.

The CHAIRMAN. Let us not go too far in that direction. You also, as I understand—your line is in the Australian trade, is it not?

Mr. GOTTHEIL. Well, sir.

The CHAIRMAN. State whether or not your company is a party to any agreement or arrangement or understanding with any other steamship line or lines as regards either the freight or passenger tariff to or from the United States, or to or from Australia.

Mr. GOTTHEIL. There is an understanding. I have been told there is something in writing.

The CHAIRMAN. Do you have conferences?

Mr. GOTTHEIL. Not conferences, I would not call them; but our associates and our own representatives meet at irregular times.

The CHAIRMAN. How often?

Mr. GOTTHEIL. Well, that is hard to say.

The CHAIRMAN. Tell us approximately.

Mr. GOTTHEIL. Let us say twice a month, perhaps three times.

The CHAIRMAN. In New York?

Mr. GOTTHEIL. In New York.

The CHAIRMAN. Where are the headquarters?

Mr. GOTTHEIL. There are no headquarters; there is no secretary. They come together at the different offices, sometimes.

The CHAIRMAN. What lines are they?

Mr. GOTTHEIL. We have the United Tyser Line, the United States & Australian Steamship Co., which is owned by four American shippers, large shippers to Australia, including Mr. Douglas, and the American-Australian Line.

The CHAIRMAN. All three of these lines charge exactly the same rates from New York to Australia, do they not?

Mr. GOTTHEIL. They do; yes.

The CHAIRMAN. Where are those rates made?

Mr. GOTTHEIL. Well, they are made in Europe, together with the American company. They have each their say.

The CHAIRMAN. But where, in fact, are they made, agreed to?

Mr. GOTTHEIL. They are in fact made in both places. That is to say, if the American-Australian Steamship Co. or the United Tyser Line wished to change a rate and the United States & Australian Steamship Co. said "I will not agree to it," it can not be changed, so they are made in both places.

The CHAIRMAN. The rates can not be changed except by agreement?

Mr. GOTTHEIL. Except by agreement; yes, sir.

The CHAIRMAN. And they are made, in the first instance, by agreement, are they not?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. As regards the return voyage, state whether or not they make shipments from Australia to this country.

Mr. GOTTHEIL. They make no shipments at all, excepting that one of our companies has had two ships during the wool season come in with part cargoes of wool. They come mainly to Boston and very small quantities to New York, but that move has not been practical for the simple reason that London is the great wool market and that shippers prefer to send their wool to London, and then they have the whole world before them to distribute, and wool is, of course, a very expensive article and the freight, or savings on freight, by direct service plays no important part at all.

Mr. AYRES. By what routes do you sail from New York to Australia?

Mr. GOTTHEIL. Around the Cape of Good Hope.

Mr. AYRES. You do not go across the Panama Isthmus; you do not ship any stuff that way, do you?

Mr. GOTTHEIL. We can not go by way of Panama yet. We hope to go that way when the canal is opened.

Mr. AYRES. But I supposed there were some arrangements for some of the shipping lines across the isthmus by way of the Panama Railroad.

Mr. GOTTHEIL. There are none of the European lines that operate from this coast, the east coast of the United States, which has any arrangement so far as Europe is concerned in connection with the Panama Railroad nor with the Tehuantepec road. Of course, there are services that go from the west coast of America that run along the

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west coast of South America and over to Europe that will stop at some of those places that may carry fruit from California and land it at the isthmus and some of them go into Mexican ports and Central American ports and pick up coffee and perhaps ship it and send it up north, but none of the lines that we have anything to do with at present go in that direction. We hope to go to the west coast of South America when the Panama Canal is opened.

Mr. AYRES. But at present you do not transship anything across the isthmus, do you?

Mr. GOTTHEIL. We, of course, know all these different services and, in fact, through our West Indian service—I will not say through our West Indian service, on the Barbados service, and on the Haitian service we come in contact with all those West Indian lines—well, I will tell you, gentlemen, we come in contact with a great many lines under the American flag that work and cooperate as we do in the foreign trade and we have what is known as the Caribbean conference and a line owned by the United States Government is practically a member of that conference, the Panama Railroad Steamship Co., so we are all operating in the same direction on the same basis.

The CHAIRMAN. You may state whether or not there is any written agreement between these conference lines, the American-Australian Steamship Co., the United States & Australian Steamship Co., and the United Tyser Co. Line with reference to the Australian trade.

Mr. GOTTHEIL. I am not able to say that there is any written agreement. I will go a little further and make this statement, that when summoned to appear on behalf of the United Tyser Line, I cabled the fact to the principals in London and they have in turn cabled that there is no written agreement.

The CHAIRMAN. Is there any understanding, not in writing, between you?

Mr. GOTTHEIL. There is an understanding, undoubtedly.

The CHAIRMAN. What are the terms of that understanding?

Mr. GOTTHEIL. As far as I can judge it, of course it is an understanding by which each has a certain number of sailings; that some of the lines will go on one route; some of the lines will go on another route. In other words, the trade embraces Australia and New Zealand and the one advantage or one of the many advantages of cooperation——

The CHAIRMAN. I am not asking you about advantages, I am asking you about the fact. You do have an agreement as to the sailings, do you not?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Do you have any agreement as to the division of tonnage?

Mr. GOTTHEIL. Well that follows, the division of tonnage, because——

The CHAIRMAN (interposing). Do you have an agreement as to the pooling of earnings?

Mr. GOTTHEIL. I believe there is such an agreement.

The CHAIRMAN. Have you any agreement with shippers as to deferred or other rebates?

Mr. GOTTHEIL. None whatever.

The CHAIRMAN. What other features of that agreement are there to which I have not called your attention? State all that you know,

or from information can state, with reference to the terms of that agreement.

Mr. GOTTHEIL. I know of no other feature that I think would interest this committee as being any different from what the general understanding is that rates are agreed upon, that as many ships are furnished as the trade requires, and the three lines take their turns in furnishing the sailings.

The CHAIRMAN. And the business is directed and controlled from New York in conference by the representatives of the different lines, is it not?

Mr. GOTTHEIL. From New York and London.

Mr. HARDY. What penalty have you, if any, for violation, or do you contemplate any violations of this agreement between you?

Mr. GOTTHEIL. I have no information. If I had I would be glad to give it to you.

Mr. HARDY. If there is any penalty provided for violation of your mutual agreement, you do not know what it is, do you?

Mr. GOTTHEIL. I do not know. I do not know whether there is any, or if there is, what it is.

The CHAIRMAN. I believe you say you are in the port of Haiti, are you not?

Mr. GOTTHEIL. Yes, sir; Haiti and other West India ports.

The CHAIRMAN. Now, taking Haiti, has your company any agreement with any other line in this trade? If so, what line or lines?

Mr. GOTTHEIL. Well, the——

The CHAIRMAN. What lines operate from New York to Haiti?

Mr. GOTTHEIL. From New to York to Haiti—the Atlas Line.

The CHAIRMAN. The Hamburg-American Line does, does it not?

Mr. GOTTHEIL. That is part of the Hamburg-American Line.

The CHAIRMAN. The Royal Dutch West India Line?

Mr. GOTTHEIL. That is one of the West India lines.

The CHAIRMAN. Well, are there any other lines that operate to Haiti?

Mr. GOTTHEIL. To Haiti, no.

The CHAIRMAN. How?

Mr. GOTTHEIL. Not to Haiti.

The CHAIRMAN. They are both under the Hamburg-American control; is that correct?

Mr. GOTTHEIL. The Atlas Line was bought out by the Hamburg-American Line many years ago. It was under the British flag at that time.

The CHAIRMAN. So that there is but one line operating to Haiti?

Mr. GOTTHEIL. No; two lines.

The CHAIRMAN. Well, they are both under the same ownership.

Mr. GOTTHEIL. No.

The CHAIRMAN. What are they?

Mr. GOTTHEIL. The Atlas Line is owned by the Hamburg-American. That is one management. The Royal Dutch India is under the Dutch flag, under our management.

The CHAIRMAN. Which one do you represent?

Mr. GOTTHEIL. The Dutch West India Mail.

The CHAIRMAN. What arrangement or agreement is there as between those two lines with reference to this trade?

Mr. GOTTHEIL. There is simply a tariff agreement, that is all. They agree to hold the same rates.

The CHAIRMAN. Now, where are those tariffs made?

Mr. GOTTHEIL. They are made in New York.

The CHAIRMAN. By the representatives of the companies?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. And only changed on notice?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. And the arrangement between you——

Mr. GOTTHEIL. I beg pardon?

The CHAIRMAN. And these arrangements between you are the same in all respects as in these other conferences?

Mr. GOTTHEIL. No, sir. There is only an agreement as to rates and ports.

The CHAIRMAN. There is no pooling arrangement?

Mr. GOTTHEIL. Not so far as I know.

The CHAIRMAN. Are there any deferred rebates to shippers? Do you make joint contracts with shippers?

Mr. GOTTHEIL. No. The trade is very old-fashioned. I think I ought to take a little of your time and take occasion, in a very few words, to tell you about that trade. It is still the old-fashioned trade that it used to be. No cabling is done; practically no cabling is done. Each ship brings up its own orders. In other words, they do not give much cargo to the fellow in Haiti, and as a rule he has to send up some product of the country in order to buy what he needs for himself. The trade down is big, but each ship brings its own orders for the return voyage.

Mr. HARDY. It is a primitive condition, then?

Mr. GOTTHEIL. Yes; old-fashioned trade. It used to be in the old days always that way. On the sailing vessels always at that time the captain used to be a trader.

The CHAIRMAN. State whether or not these lines have any understanding or agreement with other lines operating to the West Indies to keep out of the Haiti ports.

Mr. GOTTHEIL. To keep out of the ports?

The CHAIRMAN. Out of Haiti.

Mr. GOTTHEIL. Out of Haiti, no.

The CHAIRMAN. In other words, is it agreed that that shall be your territory?

Mr. GOTTHEIL. No, no, no. They can go in at any time they want to.

The CHAIRMAN. And you have no territory agreement to keep out of their ports?

Mr. GOTTHEIL. No.

The CHAIRMAN. You have no such agreement as that?

Mr. GOTTHEIL. No.

The CHAIRMAN. Will you state whether or not there is any such arrangement with the Clyde Steamship Co.

Mr. GOTTHEIL. The Clyde Steamship Line runs to Santo Domingo; there is no arrangement whatsoever.

The CHAIRMAN. Do you run to Santo Domingo?

Mr. GOTTHEIL. No, sir; we never have. There is no reason why we should not, but if we run to Santo Domingo they would run to Haiti. This American company would have the right to do the same

thing as any foreign company would do, and we would be having a fight. We have a conference, if that is what you wish to know. We have a conference that deals entirely in noncompetitive matters.

You have asked me to bring the papers here in connection with conferences. I do not know whether that is what you meant. In this conference belongs the Red D Line, the United Fruit Co., the Clyde Line, the New York-Porto Rico Steamship Co., all American concerns; the Munson Line, the New York-Cuba Mail Steamship Co., and the Panama Railroad Steamship Co. are represented also.

The CHAIRMAN. Now, of course, this is not the beginning of our investigation of this whole subject. We have based our questions on information that has been gathered in the last eight or nine months, which tends to show that these lines all run to certain ports.

Mr. GOTTHEIL. Yes.

The CHAIRMAN. In other words, they have parceled out the territory in order that there will be no friction and, what I suppose they believe, a destructive competition between themselves.

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Now, these lines that you name, they are all in the conference, are they not?

Mr. GOTTHEIL. That depends upon what you understand by "conference lines."

The CHAIRMAN. Well, I suppose it might be the conference for one or many purposes, but I suppose the conference would be to consider mutual interest, to begin with.

Mr. GOTTHEIL. Yes; but this word is used in connection with two different actions. One expression of language is called a "conference," which consists of three or four lines that pool issues and work as a unit, and again we have the "Atlantic freight conference," that started many years ago, and the passenger conference, and the Mediterranean conference, and this Caribbean conference, which is merely there for the purpose of cooperating in the matters that are absolutely noncompetitive. To give you an example, for instance, this question will arise as to how to word a bill of lading, the shipping document, or how to word certain clauses on the order which you give for a man to send his goods to the pier, or questions of exchange and matters that are absolutely noncompetitive; that is what these conferences deal with.

Mr. HARDY. Do they not deal with keeping them "noncompetitive," too?

Mr. GOTTHEIL. No; that has nothing to do with that.

Mr. HARDY. You mean that you do not discuss the division of your contracts at your different meetings?

Mr. GOTTHEIL. No.

Mr. HARDY. And what lines you run to the ports, and to what ports they shall go?

Mr. GOTTHEIL. No, sir; absolutely not—absolutely not.

I have the minutes of the first two meetings of the Caribbean conference, which I will be glad to show you, and I will be glad to show you what the real intent is. At the meeting the discussion was had in regard to methods now in vogue. First, as to delivering prepaid bills of lading against due bills; that means, a man gets a bill of lading as the express company would give a bill of lading, to show that freight has been prepaid, but they do not give him cash;

they give an accounting that they will pay him so much money; that is for their convenience. That is a noncompetitive question entirely and applies to everyone. Second, as to delivering bills of lading without surrender of stock receipt, which would never be done, because that passes the title of the property without the proper guarantee and right. Third, is as to delivering bills of lading to shippers against receipts made out in the name of the suppliers, without indorsement. Those are all matters of noncompetitive nature.

Mr. HARDY. I do not think we have an interest in that, unless it relates to competition or something like that.

Mr. GOTTHEIL. It does not.

Mr. HARDY. Just merely methods of procedure.

Mr. GOTTHEIL. And, as I said, the Panama Steamship Co. stated that owing to its company being a branch of the United States Government they could not consistently become a member of the proposed conference; they were willing to attend the conference meetings, and that their line would no doubt be glad to follow the conference. I want to show that foreign lines are not the only ones that do these sort of things; that the American lines oftentimes find it necessary to adopt these means, including the Government.

Mr. HARDY. If I understand this conference is nothing more or less than a school teachers' meeting for the purpose of devising the best plan of instruction.

Mr. GOTTHEIL. Yes.

Mr. HARDY. Not dealing with your interests at all in that?

Mr. GOTTHEIL. No.

The CHAIRMAN. Mr. Gottheil, how many lines are engaged in the trade between this country and Venezuela?

Mr. GOTTHEIL. The Red "D" Line, and of course our service, goes there; that is to say, this service that goes to Haiti also touches on its way home to Amsterdam at certain ports in Venezuela.

The CHAIRMAN. Tell the committee if there is any understanding or agreement between your line and the Red "D" Line. And if so, is that agreement in writing? And if in writing, give me its terms.

Mr. GOTTHEIL. There is only a very loose understanding, and there is nothing in writing.

The CHAIRMAN. What is that understanding?

Mr. GOTTHEIL. Well, the Red "D" Line goes more or less direct to certain ports in Venezuela, while our ships go by way of Haiti and other places; and the result of it is that we really are not a factor at all in their business, but we adhere to rates.

The CHAIRMAN. Do you both call at the same ports in Venezuela?

Mr. GOTTHEIL. Yes, sir; but owing to our being an indirect service we have the right to take 5 or 10 per cent less on certain articles.

The CHAIRMAN. You say that there is no agreement that you shall not both enter the same ports of Venezuela?

Mr. GOTTHEIL. Our schedule distinctly shows that our ships touch at La Guaira, one of the ports of the Red "D" Line, and that at Puerto Bello, but I do not know, I must confess here—it is not a business that I follow very closely myself. I am not in a position to say whether there is any such understanding or not. My information shows that there is no such understanding as to our not taking cargo. On the contrary, my man whom I have asked to give me some reports on the question states that, as a matter of fact, we carry very little

cargo for La Guaira and Puerto Bello, and it is natural, because we are quite indirect; we are entirely too slow. It takes one of our ships to get to Puerto Bello 17 days by the roundabout route.

The CHAIRMAN. Is not there an agreement in substance about like this——

Mr. GOTTHEIL. I beg your pardon?

The CHAIRMAN. Is not there an agreement between the lines in substance about like this——

Mr. GOTTHEIL. I would be glad to have it.

The CHAIRMAN. That if you do not charge less than 10 per cent less than the Red "D" rates between New York, La Guaira, and Puerto Bello, the Red "D" will not resent your cutting their rates to and from Curacao to an extent that will enable them to secure about half of the total freight carried between these ports?

Mr. GOTTHEIL. Well, you have asked me about Venezuela. Now you are talking about Curacao.

The CHAIRMAN. I am talking about Venezuela.

Mr. GOTTHEIL. Venezuela is one thing and Curacao is a Dutch possession, and that is a different island.

The CHAIRMAN. Put the two together. I am just trying to find out what your relationships are.

Mr. GOTTHEIL. That is another matter as far as Curacao is concerned. The general agency in New York for that service makes arrangements with other lines, such as the Red "D" Line. I have no information before me that would point in that direction, but I am rather inclined to think that, if my memory serves me right, that something of that description was arranged; I could not tell you. I will be very glad to inquire and send you word what it is; in fact, I can have it here by to-morrow by telegraphing.

The CHAIRMAN. I have before me the items of the agreement made with the Red "D" Lines, and I give you the agreement as they have sworn to it.

Mr. GOTTHEIL. If they have sworn to it, I have no doubt it is right. I have not got the information, and wish to make it quite clear that there is a general agent in New York.

The CHAIRMAN. I think I have got it in substance. I do not care to misrepresent it to you, of course.

Mr. GOTTHEIL. I do not know.

The CHAIRMAN. You are also engaged in trade with Trinidad, are you not?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. What other lines are engaged in that trade?

Mr. GOTTHEIL. The Trinidad Shipping & Trading Co. and the Quebec Steamship Co.—I had better take that out about the Quebec Steamship Co.

The CHAIRMAN. How about the Trinidad Shipping & Trading Co. (Ltd.), the Royal Dutch West Indies Mail Co., the Royal Mail Steam Packet Co., and the Lamport & Holt?

Mr. GOTTHEIL. Yes; they take part in that trade, but I was mistaken about the Quebec Steamship Co.

The CHAIRMAN. Are not those lines I mentioned engaged in that trade?

Mr. GOTTHEIL. Well, not regularly, I would not call that regular service.

The CHAIRMAN. Are there any other lines that are engaged in that service, whether regular or otherwise?

Mr. GOTTHEIL. Not that I know of.

The CHAIRMAN. What is the arrangement, if any, between these several companies with reference to the trade with Trinidad?

Mr. GOTTHEIL. There is an agreement of a very loose nature, to keep the same tariff rates.

The CHAIRMAN. How?

Mr. GOTTHEIL. To keep the same tariff rates, nothing else. I have got the tariff here.

The CHAIRMAN (referring to papers). Is this a copy of that tariff?

Mr. GOTTHEIL. I do not think so.

The CHAIRMAN. I will ask you, however, if you have a copy of the tariffs for New York to Trinidad?

Mr. GOTTHEIL. I have it here; that is our tariff.

The CHAIRMAN. Is it the same for all the lines?

Mr. GOTTHEIL. I so understand, at least all the lines of the Trinidad Shipping Co.— [To Mr. Huebner.] Is this what you have?

Mr. HUEBNER. We have that.

The CHAIRMAN. I guess this is a copy of it, is it not?

Mr. HUEBNER. What is the date of that?

Mr. GOTTHEIL. That is May 1, 1911, I think you will find there is a later one, I have given you.

The CHAIRMAN. This is dated May 1, 1911, also.

Mr. GOTTHEIL. That is later, is it not; you see this one is issued——

The CHAIRMAN. This is from Trinidad to the United States.

Mr. GOTTHEIL. Yes, sir; that is from Trinidad to New York; that is quite right.

At this point the chairman handed papers to the witness

Mr. GOTTHEIL. That is the same; of course, I know nothing about that agreement at all.

The CHAIRMAN. I hand you another paper headed "Regular service from Trinidad to New York, rebate declared on cargo from Trinidad to New York."

Mr. GOTTHEIL (examining paper). This matter does not come under our direction at all; I have no knowledge about it.

The CHAIRMAN. Then, you do not know whether there is a rebate agreement between the conference lines and the trade from Trinidad to New York?

Mr. GOTTHEIL. No.

The CHAIRMAN. Have you never paid any rebates through your office in that trade?

Mr. GOTTHEIL. I think not.

The CHAIRMAN. What is your best recollection about that?

Mr. GOTTHEIL. I believe not; I shall have to inquire.

The CHAIRMAN. In connection with the rebate declaration, I call your attention also to the notice to shippers, which is signed or purports to be signed by the Trinidad Shipping Co. (Ltd)., the Royal Dutch West Indies Mail Co., the Royal Steam Packet Co., and the Lamport and Holt Lines.

Mr. GOTTHEIL. That would be signed by the general agent.

The CHAIRMAN. Where?

Mr. GOTTHEIL. In New York.

The CHAIRMAN. In New York?

Mr. GOTTHEIL. In New York; yes, it would not come within our province.

Mr. HARDY. What is your position, Mr. Gottheil?

Mr. GOTTHEIL. I am freight agent. In order to explain the matter, I wish to state that the company has its own salaried officer in New York who attends to certain matters connected with the business, such as these arrangements connected with Trinidad, getting up tariffs, and the arrangement of rebates, and we would have nothing to do with it.

Mr. HARDY. Who would be the officer that would attend to that rebate?

Mr. GOTTHEIL. Mr. H. Brugamann.

The CHAIRMAN. In New York?

Mr. GOTTHEIL. In New York.

Mr. HARDY. Would he be the man to make these refunds?

Mr. GOTTHEIL. I think so. He may use our office for the sake of bookkeeping; we handle most of the incoming and outgoing freight, and he may use the office, but I do not know.

Mr. HARDY. Your office books would not show the repayment of this rebate?

Mr. GOTTHEIL. Oh, yes, if we paid it it would show something.

The CHAIRMAN. Will you look the matter up and furnish us the information?

Mr. GOTTHEIL. Certainly.

The CHAIRMAN. It is now 5 o'clock, gentlemen. If there is no objection we will now adjourn until to-morrow morning at 10 o'clock, and I presume the members of the committee can be here at that time.

Thereupon, at 5.07 o'clock p. m., the committee adjourned until Saturday morning, January 11, 1913, at 10 o'clock p. m.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

^{U. S.}
THE COMMITTEE ON THE MERCHANT
MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 11, 1913

No. 5



WASHINGTON
GOVERNMENT PRINTING OFFICE

1913

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

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DR. S. S. HUEBNER, *Expert to Committee.*

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1913

INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
January 11, 1913.

The committee met at 10.40 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Post, and Stephens.

The CHAIRMAN. I have before me a statement containing the petition and exhibits in a case of the United States of America, petitioner, *v.* American Asiatic Steamship Co. and others, defendants, now pending in the District Court of the United States for the Southern District of New York, beginning on page 26. Did you furnish those exhibits to the Government?

Mr. GOTTHEIL. My partner did; he furnished them to the grand jury in New York.

The CHAIRMAN. The first is a memorandum of agreement called "The eastward agreement regarding the trade between the Atlantic ports of the United States and eastern Asiatic ports." Is that agreement still in force between the companies parties to the agreement?

Mr. GOTTHEIL. I believe it is in force. I have no definite knowledge, but one of the contracting parties, the Union Steamship Co., of Hamburg, has withdrawn.

The CHAIRMAN. When did the Union Steamship Co. withdraw?

Mr. GOTTHEIL. Several years ago, I think. It makes no difference, because they sold out their interest to the other parties—to the United States & China-Japan Steamship Co.—and the result would be the same, only as a matter of record.

The CHAIRMAN. They were absorbed by the other companies, were they?

Mr. GOTTHEIL. They were sold out to the other companies. For your information, I will state here that the United States & China-Japan Steamship Co. is merely a trade name—it is not a company—but it is formed by two concerns now instead of three. At the time this agreement was entered into it was formed by Mr. T. B. Royden, now known as the Indra Line, the Hamburg-American Line, and the Union Steamship Co. The Union Steamship Co. did not care any more for the trade; it was not profitable, otherwise they would have remained there, so they sold their interest partly to the Indra Line and partly to the Hamburg-American Line. And those two concerns now form what is known as the United States & China-Japan Steamship Co.

The CHAIRMAN. I call your attention to Exhibit No. 2, "Memorandum of agreement regarding the trade between China, Japan, Manila, the Straits, and Malabar coast to the United States via

Suez." State whether or not that agreement is still in force between the parties thereto.

Mr. GOTTHEIL. I have no definite knowledge of this agreement or the preceding agreement being still in effect.

The CHAIRMAN. What is your best information?

Mr. GOTTHEIL. I believe that both agreements are in effect.

The CHAIRMAN. I call your attention to Exhibit 3, entitled "Pooling agreement between the owners, including chartered owners of the steamers now being run or to be run in the trade between the Atlantic ports and the United States and the Far East, as set forth in agreements dated the 13th day of April, 1905."

Mr. GOTTHEIL. I am not informed definitely as to that.

The CHAIRMAN. What is your best information in that regard as to whether or not that agreement is still in force?

Mr. GOTTHEIL. I believe that it is. I think there is an agreement of similar description in existence, but whether they are working to-day under that exact agreement we do not know.

The CHAIRMAN. If they are not working under the exact terms of that agreement, they are working under an agreement substantially like that agreement, are they not?

Mr. GOTTHEIL. I believe so; yes.

The CHAIRMAN. Of course you have been in the business a long while and represent a great many different companies. Why is it that you are not let in and permitted to know the exact status of the trade and the agreements under which the lines for which you are acting as agent is conducted?

Mr. GOTTHEIL. These agreements only concern the principals. They have nothing to do with the operating of the ships—the securing of business—and therefore there is no reason why our principals should particularly inform us.

The CHAIRMAN. While they might not submit to you a copy of the agreement, yet are you not informed from time to time, in the course of business, by cable or letter, that under the terms of the agreement existing between these several lines, you must do this, or you must not do that?

Mr. GOTTHEIL. No. The only thing that we are really informed is what will be ordinarily done—that the sailings will be fixed, or have been fixed on the other side, and certain parties have certain terms. I wish to explain, Mr. Chairman, that as far as the operation of this particular service is concerned, that the rates are not made abroad; that the rates are made entirely—have been made entirely—on this side; with the exception of the Hamburg-American Line, which has a service from Hamburg to the Far East, there is none of its constituent companies in this trade that has any interest in any business from Europe to the Far East. Now, as far as the Hamburg-American Line is concerned, I wish to add that the management of the United States & China-Japan Steamship Co. is entirely in the hands of T. B. Roydan, at Liverpool. He represents the Hamburg-American Line's interests, and the Hamburg-American Line has never, to the best of my knowledge, had anything to do with any rate-making question. In other words, I wish to repeat that the Asiatic Steamship Co., being an American concern, and the Barbour Line, being practically an American concern, the rate-making ar-

rangements for the handling of the business are entirely within the hands of the agents.

The CHAIRMAN. When you say those are American concerns, you mean they are American corporations, although their shipping is under foreign flags?

Mr. GOTTHEIL. The American and Asiatic Steamship Co. is an American concern. Barbour & Co. (Inc.) is an American corporation, and they are also managers of several steamers which are sailed under the British flag, and in that condition they represent some two Liverpool owners, who are part of their service, and of course besides that we have the American & Oriental Line, for which Messrs. Holder & Boyd are agents, Mr. Boyd being here to testify. I wish to add, in addition, that on account of the large number of ships required for that trade, that while there are four different companies mentioned, that each of these companies again consists of about three different ownerships, and by bringing all these different ownerships together, it is possible to maintain a regular service.

The CHAIRMAN. These agreements include a division of traffic, do they, between the companies?

Mr. GOTTHEIL. The pooling agreement, of course, shows it.

The CHAIRMAN. Then, I will call your attention to Exhibit 4, "The Atlantic ports and eastern Asiatic ports, conference within the pooling rules." State whether or not those rules are still in force, as set forth in Exhibit 4.

Mr. GOTTHEIL. I believe that, with certain modifications that have become necessary since the rules were published, that they are practically in use now.

The CHAIRMAN. I understood you to say that the traffic agreements, or the agreement on the tariffs, are made here, and not abroad, on this trade?

Mr. GOTTHEIL. The rates and tariffs are made here.

The CHAIRMAN. Why do you not know definitely whether or not the arrangements, set out in Exhibit 4, are still in force?

Mr. GOTTHEIL. This is entirely a different question. The pooling rules are merely made for a proper management of the pooling abroad.

The CHAIRMAN. How does it happen that they are made abroad, and yet all the other regulations of the trade are made here; for instance, sailings, the division of the traffic and the rates. Those, I understand you to say, are made here.

Mr. GOTTHEIL. Pardon me; I did not say the division of traffic was made here.

The CHAIRMAN. That involves the pooling arrangement, I suppose.

Mr. GOTTHEIL. The pooling arrangement is not made here.

The CHAIRMAN. Why is it made abroad?

Mr. GOTTHEIL. Because the principals are situated on the other side, and it is merely an arrangement by which they are enabled amongst themselves to apportion, according to their agreed division, the results. It is practically the same thing as the running of one company. The ships are owned abroad and managed abroad, and everything in that matter is done abroad.

The CHAIRMAN. While the ships belong to different companies in this trade, yet they are practically managed and controlled, and the

expenses on the one side and the profits on the other side are all pooled, and if there is any profit, the profits are divided between the companies—and if there are any losses they are divided among the companies, so that, to all intents and purposes, it is one company operating these different lines, is it not?

Mr. GOTTHEIL. Practically so; yes. That is the result.

Mr. HARDY. You stated the owners are situated abroad. I thought you said a number of these companies were American institutions?

Mr. GOTTHEIL. Of course, I said the American and Asiatic Steamship Co. is an American company.

Mr. HARDY. That is a part of this pool, is it not?

Mr. GOTTHEIL. They are one part of the pool; yes, sir.

Mr. HARDY. Are their owners situated abroad?

Mr. GOTTHEIL. They are operating with foreign ships, and they have their own, or a representative in London who manages, as far as I know, who manages that particular affair. The whole thing, if you will allow me to explain to you a little, is handled through a pool manager; that is to say, a man in Liverpool, who represents all the different interests, to whom all the reports come from the owners, and who eventually collects or pays out money to the different interests.

Mr. HARDY. Whether the line be American or foreign, the management is all in Liverpool, is it?

Mr. GOTTHEIL. Yes.

Mr. HARDY. Is there any way, Mr. Gottheil, to ascertain how much American capital is invested oversea?

Mr. GOTTHEIL. It is probably obtainable. I have no doubt that a number of owners are running ships under the foreign flag.

Mr. HARDY. Have you in your mind any idea of the amount of American capital engaged in this shipping?

Mr. GOTTHEIL. Engaged in this shipping?

Mr. HARDY. Oversea, under foreign flags?

Mr. GOTTHEIL. I should not like to state it offhand, but I would be very glad to furnish it after some looking into the matter.

Mr. HARDY. I shall be glad if you will make the best investigation you can, and make it a part of your testimony, as to about how much American capital is engaged in this over-seas trade, under foreign trade.

Mr. GOTTHEIL. Of course it will be more or less of an estimate.

Mr. HARDY. I want the best you can give us.

Mr. GOTTHEIL. I will get the nearest I can.

The CHAIRMAN. I suppose you have conferences in this country regulating this trade between these companies, have you not?

Mr. GOTTHEIL. We have meetings, the agents meet regularly every Tuesday at different offices of the agents. It changes every three months. We go to the four different representatives, and every three months we change the place of meeting.

The CHAIRMAN. You say the conferences are held, first, for instance, at your office for three months?

Mr. GOTTHEIL. At the office of Barber & Co.

The CHAIRMAN. For three months?

Mr. GOTTHEIL. Yes; and then at the office of the American & Asiatic Steamship Co.

The CHAIRMAN. For three months?

Mr. GOTTHEIL. Yes; and then at the office of Holder, Wheeler &—

The CHAIRMAN. Just tell us briefly what you do when you get together. What is the object of those conferences, and what business is transacted?

Mr. GOTTHEIL. We discuss the position of the ships, schedules; report how much cargo has been booked and how much cargo is still required. We discuss the necessity, if it arises, of holding up a vessel or possibly detaining her for a day or two, and we discuss the future of the sailings, as to what is needed for the trade, whether additional tonnage is required in order to provide efficient and satisfactory service. We discuss when the question of changing rates appears necessary in the tariff—we have a fixed tariff, and it may be necessary, for competitive reasons, either on the part of the overland route from the west coast competition—possibly a change in the rate may be necessary to meet European competition; or we discuss the question of, perhaps, facilitating the sale of a large quantity of important material, which could not be made on the tariff, but which might be made in competition with Europe if we reduced our rate somewhat, and all matters of that description, everything pertaining to the proper and efficient management of the service.

The CHAIRMAN. That is, you all bring your contracts together with shippers to see what volume of tonnage you have for the outward voyage?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. And then you look over your list and see what ships you have available?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. And dispose of them to the best advantage, and, as you say, if there is some tonnage that may go across to the continent to Pacific ports and thence to the Orient, you get your heads together and make a rate to control that traffic by your lines to the Orient?

Mr. GOTTHEIL. If we can.

The CHAIRMAN. I say if you can?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. And possibly the same condition may exist in Europe, and you undertake to make a rate that will secure the contract for the American manufacturers, say as against the European, to secure that tonnage for your lines from New York with Europe?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. All those questions come up and are handled?

Mr. GOTTHEIL. Yes; and many more.

Mr. HARDY. Along that line I remember a speech made in Congress. I do not know how well founded it was, but it seemed well founded—there was a statement of a shipment from Europe via New Orleans into the interior of this country on which the freight rates were hardly as much as they were from some of our home factories to the same section. That indicated to me, apparently, a union of rate making between the ships and the railroads. Do you know anything of that kind of work?

Mr. GOTTHEIL. This, I presume, is in answer to the question Mr. Halm has referred to me. There is absolutely nothing, to the best of my knowledge, that would show a condition to-day by which there

could be anything made on the part of the railway, excepting its tariff.

Mr. HARDY. You have no pro rata agreements as to your shipping rates with the railroads, have you?

Mr. GOTTHEIL. We have none, and I do not believe they exist.

Mr. HARDY. They did exist in the very recent past, did they not?

Mr. GOTTHEIL. They did exist some years ago, before the Interstate Commerce Commission put a quietus on that sort of proceeding, but nothing now.

Mr. HARDY. Do you think that now on freight from New York or Liverpool to some interior point of Texas that any outside-line can get in on that without paying any more than the railroads, than the Mallory Line, for instance?

Mr. GOTTHEIL. Yes; I believe so. I do not know, of course——

Mr. HARDY. You are not in the coastwise trade?

Mr. GOTTHEIL. No; I do not know anything about the coastwise trade, but I have not any doubt, from my general knowledge and pretty close knowledge of all the ports along the coast, that there is nothing to any statement that may be made that there is a cutting of rates by the inland carriers in favor of any ocean carrier, whether coastwise or foreign.

The CHAIRMAN. When the resolution in this case was pending before the Committee on Rules, as I recall, there were statements made like this: For instance, shipments from German ports to inland points in the United States were made under an agreement with the railroads by which the shipments from, say, a German port to an inland port to the United States could be made practically at the same rate as from an Atlantic port to the inland point in the United States, and thereby our tariff laws were practically annulled.

Mr. GOTTHEIL. Of course there was a time when the railroads used to make special tariffs for foreign traffic, and the same condition exists, I believe, in Germany, that for export traffic which comes in competition with other countries a special export rate will be made by the inland carrier. Of course, that is not possible, as I understand the situation, to-day, with regard to the United States railways.

The CHAIRMAN. The question is, Do they do it, to your knowledge?

Mr. GOTTHEIL. Oh, no; not to my knowledge.

Mr. HARDY. From your understanding, the German shipper gets the benefit of the cheaper rate for exports, and in the past it has been the case that the importers got the benefit of the cheaper rate in this country?

Mr. GOTTHEIL. The German shipper very often, I believe, gets a lower rate from an interior point to the seaboard than the tariff would be to the port in question if the goods are not intended for export.

Mr. POST. Is that because they have a law to that effect—the trade?

Mr. GOTTHEIL. The German railroads, the most of them, are State railroads, so there is no question as to the legal side of that transaction. I would add that I have no very intimate knowledge on this point, but I believe that to be the condition.

The CHAIRMAN. That is my information. Just tell us briefly how the rates are made in this China trade by the conference lines?

Mr. GOTTHEIL. As to the China rates, I think I can answer best by handing you our tariff. We have a tariff under which we are working to the different points, and if there is to be any change in this tariff it has to be by unanimous agreement.

The CHAIRMAN. Hand the tariff to the stenographer, to be marked.

[The witness handed the tariff to the stenographer and it was marked as "Gottheil, Exhibit O."]

GOTTHEIL EXHIBIT 40.

The general cargo rates to China-Japan ports as per present tariff are as follows:

Aden.....	35/-
Singapore, C. and J. ports.....	42/6
Manila.....	\$10.50

It is the intention that all classes of merchandise pay these rates with the exception of the special commodities enumerated below, the rates contemplated on these appearing alongside each article.

Merchandise.	China and Japan ports.	Amount.
Ammonia.....	Aden, Singapore, China-Japan ports.....	67/6.
	Manila.....	\$17.00.
Automobiles.....	Aden.....	35/6.
	Singapore.....	42/6.
	Manila.....	\$9.25.
	China-Japan ports.....	37/6.
Bars, steel, in cases.....	Aden, Singapore, China-Japan ports.....	35/-.
	Manila.....	\$8.50.
Benzine.....		Same as ammonia.
Bicycles.....	Aden.....	35/-.
	Singapore.....	42/6.
	Manila.....	\$9.50.
	China-Japan ports.....	37/6.
Bolts and nuts.....		Same as steel bars in cases.
Bones (shipped to Japan only).	Kobe and Yokohama.....	85c. per 100 lbs.
	Osaka.....	92½c. per 100 lbs.
Carbide of calcium.....	Aden, Singapore, China-Japan ports.....	52/6.
	Manila.....	\$13.25.
Carbon black.....	Aden, Singapore, China-Japan ports.....	35/-.
	Manila.....	\$8.50.
Cartridges.....	To all ports to which they are carried, per case (not exceeding 100 pounds).	\$2.00.
Chloroform and ether.....	To all ports.....	75/8.
Cigarettes and smoking tobacco.	Aden.....	35/-.
	Singapore.....	37/6.
	Manila.....	\$8.25.
	China-Japan ports.....	32/6.
Leaf tobacco.....	Aden.....	35/-.
	Singapore.....	37/6.
	Manila.....	\$8.75.
	China-Japan ports.....	\$1.10 per 100 lbs.
Cooperage.....	Aden, Singapore, China-Japan ports.....	35/-.
	Manila.....	\$8.50.
Raw cotton—subject to requirements—present quotation.		75¢ per 100 lbs.
Cotton piece goods (in bales)...	Aden.....	30/-
	Singapore.....	42/6
	Manila.....	\$10.25
	China-Japan ports.....	60¢ per 100 lbs.
Cotton piece goods (in cases)...	Aden.....	30/-
	Singapore.....	42/6
	Manila.....	\$10.25
	China-Japan ports.....	35/-
Cotton yards.....		35/-
Explosives and firearms.....		35/-
Flannels.....	Aden.....	35/-
	Singapore.....	42/6
	Manila.....	\$10.25
	China-Japan ports.....	85¢ per 100 lbs.
Lard.....	Aden.....	35/-
	Singapore.....	42/6
	Manila.....	\$10.50
	China-Japan ports (these rates are per 40 cubic feet).	42/6
Finished leather.....		

Merchandise.	China and Japan ports.	Amount.
Unslacked lime.....	.....	General cargo rate—no lift scale.
Locomotives.....	.....
Lubricating oil and wax.....	Aden.....	35/-
	Singapore, China-Japan ports.....	32/6
	Manila.....	\$7.00
Old newspapers.....	Aden, Singapore, China-Japan ports.....	35/-
	Manila.....	\$8.50
Cast-iron pipe.....	.....	Same as bolts and nuts.
Primers.....	.....
Rosin.....	Aden.....	35/- (measurement).
	Singapore, China-Japan ports.....	55/- (weight).
	Manila.....	\$13.25 (weight).
Rubber cement.....	.....
Revolvers.....	.....
Ad valorem rate.....	.....
Explosives—not less than 25 tons.	All ports.....	\$40 per ton.
Firearms, except revolvers ..	do.....	52/6 per ton.
Revolvers.....	do.....	3 1/2 %.
Finished leather.....	China, Japan.....	52/6.
	Manila.....	\$13.25.
Lime, unslacked (packed in water-tight packages), on deck.	China, Japan.....	62/6.
	Manila.....	\$15. 75.
Primers (minimum \$25).....	All ports.....	\$25 per ton.
Ad valorem rate.....	do.....	3 1/2 %.

STEEL RATES, ALL PER TON, 2,240 POUNDS.

Rails.....	25/-	Galvanized sheets (bundles).....	32/6
Bar iron.....	27/6	Galvanized cases, crates.....	35/-
Plates, I beams..	32/6	Tin plate.....	35/-
Channels, angles		Bridge or structural material:	
Zees and tees....		Eyebars and other close-stowing material, say 30 feet or under up to 8,000 pounds..	35/-
Hoops (straight).....	35/-	Lattice work or girders—	
Nails.....	30/-	Up to 8,000 pounds and over—30 feet..	35/-
Plain wire	32/6	Up to 13,000 pounds.....	40/-
Barb wire }		Up to 16,000 pounds.....	42/6
Wire shorts.....	35/-		
Pipe.....	35/-		

Rates on bar iron and nails 2/6 less than the above to Kobe and Yokohama only.

The CHAIRMAN. Will you please furnish the committee with all the agreements, or contracts, relating to this trade in existence now, or copies of them, as called for in our subpoena?

Mr. GOTTHEIL. We surrendered everything to the grand jury at the time of the investigation. I am sorry, therefore, I can not give you anything more.

The CHAIRMAN. Are they all included in the exhibits printed here?

Mr. GOTTHEIL. So I understand it.

Mr. HARDY. You kept copies of those when you turned over the originals to the grand jury, did you not, Mr. Gottheil?

Mr. GOTTHEIL. No, sir; we did not have the originals at any time. We only gave them copies, and we did not bother about keeping them. They were really of no use. They were sent to us many, many years ago, and we found them absolutely without any special benefit to the working of that particular business. We put them away in some drawer, and finally searched for them and found them.

Mr. HARDY. Your interests are so thoroughly united that while you have an agreement it is hardly necessary to notice it. Is that your answer?

Mr. GOTTHEIL. No; that is not my answer. My answer is that these agreements only refer to the eventual working out of the same after the voyage, let us say, is finished. It has nothing to do with any

matter that occurred during the voyage unless it be, of course, the measuring of the ship and that sort of thing, which is provided for.

The CHAIRMAN. These are agreements to which you refer, and rules of the trade, referring to the China, Japan, and the Philippine Islands—that trade?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. I believe you say you are also in the trade with India?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Tell the committee what lines are engaged in that trade with which you are connected.

Mr. GOTTHEIL. The American & Indian Line.

The CHAIRMAN. What other lines are there with which you are connected or cooperating?

Mr. GOTTHEIL. None.

The CHAIRMAN. Is there but the one line?

Mr. GOTTHEIL. It is a one line consisting of two ownerships, again.

The CHAIRMAN. That is the trade name, the American-Indian Line?

Mr. GOTTHEIL. Yes; that is the trade name. That is the Hansa Co. and the Bucknall Steamship Co.

The CHAIRMAN. The Hansa Line—is that a German line?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. And what is the other one; is it a German line also?

Mr. GOTTHEIL. The other is a British line.

The CHAIRMAN. Is the Hamburg-American Line in that trade?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. Just the two lines that you mentioned?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Are they the only lines in that trade between New York and India?

Mr. GOTTHEIL. Direct lines; yes, sir. Of course I should like to add that there is a lot of indirect traffic especially to India, where quick and efficient transportation is needed.

The CHAIRMAN. State whether or not the indirect trade is not also controlled by the conference lines.

Mr. GOTTHEIL. No, sir; it is not controlled by these two lines at all, but the Hansa Co. and the Hamburg-American Co. have a joint service from Hamburg to India, Antwerp to India, and naturally if it is a question of giving dispatch to a shipment, as far as we can, the goods are forwarded via Hamburg. I may say, however, that we have very little control over the indirect shipments, that the indirect shipments go very largely through English ports where they really have the most efficient connection with India and the quickest transportation.

The CHAIRMAN. We have pretty accurate information, we think, that the lines operating from India in this indirect trade westward are all in conference. What information have you on that subject?

Mr. GOTTHEIL. My previous remarks referred to business to India.

The CHAIRMAN. Yes.

Mr. GOTTHEIL. As far as business from India is concerned there is again the situation where the Hansa Co. and the Bucknall Lines operate together as one service, known as the American-Indian Line.

The CHAIRMAN. Is there a written agreement between you in the trade from the United States to India, the Hansa and the Bucknall Line? Just briefly state what the conditions are. If there is an agreement, what it is, and how the business is conducted.

Mr. GOTTHEIL. All I can say to you is that in a letter from the Hansa Co., dated the 6th of August, 1912, they tell me that they had discussed the various points verbally with Messrs. Bucknall, but they had not drafted any agreement as yet.

The CHAIRMAN. Have you the letter?

Mr. GOTTHEIL. This [indicating] is a copy. I have not any doubt that they have since reached some agreement.

The CHAIRMAN. Will you furnish a copy of that letter for the record?

Mr. GOTTHEIL. Yes, sir; do you wish me to read it?

The CHAIRMAN. Yes; you might read it.

Mr. GOTTHEIL. The letter reads as follows:

BREMEN, 6th August, 1912.

MESSRS. FUNCH, EDYE & Co.,
New York.

DEAR SIRs:

Outwards, pooling, etc.—The various points have been verbally arranged with Messrs. Bucknall, but an agreement has not yet been drafted. In order to avoid that the number of steamers dispatched without particulars being ascertained is increased, the lines have arranged that for the present the following points are agreed between your goodselves and Messrs. Norton.

1. Measurement plans, showing compartments and grain capacities tendered for cargo.

2. Total deadweight tendered for cargo.

3. Quantity of bunkers on board on completion of loading.

4. Quantity of stores and water on board on completion of loading.

5. Quantity of water ballast if any on board on completion of loading.

All these particulars can, of course, be set out in the same certificate, and each of the lines supplied with a copy of same.

We would still propose that the certificate makes mention of any space tendered being left unfilled on departure and if so, for what reason, or vice versa, whether the deadweight, which has been tendered has not been used entirely. Will you please let this matter have your attention. May we point out on this opportunity that we have informed Messrs. Bucknall that the deadweight scale of our steamers does already include the stores, provisions, etc., i. e., the light draft of our steamers does already allow for provisions, stores, and water in boilers, or in other words, ship ready for sea. The number of tons which then are given as the carrying capacity therefore simply means the weight of cargo and bunkers she is carrying in the respective draft.

Yours, faithfully.

(Signed) DEUTSCHE DAMPFSCIFFFAHRTS-GESELLSCHAFT "HANSA."

The CHAIRMAN. Who are the American agents for those two lines?

Mr. GOTTHEIL. My firm represents the Hansa Co., and Messrs. Norton & Son represent the Bucknall Steamship Co. But the management of the outward freight is entirely in our hands.

The CHAIRMAN. You make the tariffs?

Mr. GOTTHEIL. We make the tariffs.

The CHAIRMAN. Of course they are the same?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Have you a copy of the tariffs?

Mr. GOTTHEIL. I have the tariffs; yes, sir.

The CHAIRMAN. Will you please furnish them to the committee?

Mr. GOTTHEIL. Yes, sir.

[The witness handed the tariff sheet to the stenographer and they were marked as Gottheil Exhibit No. 41.]

GOTTHEIL EXHIBIT 41.

Freight rates D. B. G. "Hansa " outward letter.¹

NEW YORK, December 28, 1912.

	Aden.	Karachi.	Bombay.	Colombo.	Madras.	Calcutta.
Lanterns, globes.....	35/-	30/-	27/6	35/-	35/-	30/-
Domestics.....	30/-	22/6	20/-	25/-	25/-	22/6
Cotton.....			60/¢.		70¢.	
Rosin.....	35/-M.	35/-W.	32/6	37/6	37/6	35/-W.
Slates.....	35/-	30/-	27/6	35/-	35/-	30/-
Shooks.....				\$1. 10		
Paper.....	35/-	30/-	27/6	35/-	35/-	30/-
Oats.....	35/-	30/-	27/6	35/-	35/-	30/-
General cargo.....	35/-	30/-	27/6	35/-	35/-	30/-
Bolts, nuts, spikes, rivets, screws.....	35/-	22/6	22/6	25/-	27/6	22/6
Cloves.....	35/-M.	65/-W.	60/-W.	65/-W.	70/-	65/-W.

¹ Rangoon tariff.

GOTTHEIL EXHIBIT 42.

[Royal Dutch West India Mail (Koninklijke West-Indische Maildienst), general agency, 17 State Street, New York. Freight tariff, New York to Trinidad, effective on all steamers sailing after Nov. 1, 1912. Rates subject to change without notice. Funch, Edye & Co., freight agents, Maritime Building, 8-10 Bridge Street, New York.]

Flour, bread, meal, etc.....	40 c. per bbl.
Do.....	22½ c. per ½ bbl.
Apples, vegetables, etc.....	50 c. per bbl.
Pork, beef, pickled fish, beans, lard, sugar, peas, starch.....	55 c. per bbl.
Do.....	30 c. per ½ bbl.

MEASUREMENT GOODS.

Cases, bundles, crates—butter in cases or kegs—glassware.....	12 c. per foot.
Oleo, lard in cases or crates, tobacco in hogsheads.....	10c. per foot.
Carriages, furniture.....	10 c. per foot.
Hams or bacon in cases, crates, barrels, or tierces.....	10 c. per foot.
Measurement goods, not specified.....	12 c. per foot.

WEIGHT GOODS.

Hardware, nails, light machinery, etc.....	} 25 c. per 100 lbs.
Tar, pitch, rosin, soda, in barrels.....	
Beans, bran, feed, malt, peas, pollard, rice, sago, or tapioca, in bags.....	
Currants in barrels.....	
Coffee, birdseed, spices, in bags.....	30 c. per 100 lbs.
Galvaulzed iron.....	21 c. per 100 lbs.
Carbide in drums, bisulphide, cartridges.....	60 c. per 100 lbs.
Hay in compressed bales.....	45 c. per 100 lbs.
Rope.....	40 c. per 100 lbs.

HEAVY MACHINERY.

(Ship's option, weight or measurement.)

Packages over 1 ton, but not over 2 tons, 30 c. per 100 lbs. or 12 c. per foot.
Packages over 2 tons, but not over 4 tons, 50 c. per 100 lbs. or 13 c. per foot.
Packages over 4 tons, but not over 5 tons, 55 c. per 100 lbs. or 14 c. per foot.
Packages over 5 tons, but not over 7 tons, 60 c. per 100 lbs. or 15 c. per foot.
Packages over 7 tons, but not over 9 tons, 65 c. per 100 lbs. or 20 c. per foot.
Packages over 9 tons, but not over 10 tons, 75 c. per 100 lbs. or 30 c. per foot.

LIVE STOCK.

Horses.....	\$30. 00 each.
Mules.....	20. 00 each.
Cows.....	20. 00 each.

Sheep -----	\$1. 75 each.
Dogs -----	3. 00 each.
Pigs -----	5. 00 each.

Freight on live stock must be prepaid.

SUNDRIES.

Acid in carboys -----	\$2. 00 each
Ammonia in cylinders -----	8. 00 each
Beer (bottled), per barrel of 10 dozen pints or 6 dozen quarts ---	. 70 each
Beer (bottled), per barrel of 8 dozen pints -----	. 56 each
Beer (bottled), per barrel of 7 dozen pints or 4 dozen quarts ---	. 50 each
Brooms (in bundles) -----	. 35 per doz.
Barley in kegs of about 56 pounds each -----	. 25 each
Cheese, per box 1 cubic foot -----	. 12 each
Corn in 2-bushel bags -----	. 28 each
Cement, per barrel of 400 pounds -----	. 40 each
Coal (in bags) -----	4. 00 per ton
Fertilizers (in bags) -----	3. 50 per ton
Fish, per 4-quintal cask -----	1. 20 each
Fish, per 1-quintal cask -----	. 35 each
Glucose, per barrel -----	1. 50 each
Lumber, rough, per 1,000 feet (ship has option of putting on deck) -----	5. 50
Lumber, dressed, per 1,000 feet -----	6. 50
Lard and grease in kegs -----	. 30 each
Lard and grease in tubs 50-60 pounds -----	. 23 each
Lard and grease in pails 25-30 pounds -----	. 18 each
Minimum, B-L -----	3. 00
Oats, per 5-bushel bag, 160 pounds -----	. 35 each
Oilmeal, per bag of 125 pounds -----	. 30 each
Oilmeal, per bag of 100 pounds -----	. 25 each
Oil spirits and vinegar, per barrel -----	1. 00 each
Oil (except kerosene) in cases -----	. 12 per foot
Oil (kerosene) in 10-gallon cases -----	. 20 each
Peanuts, per 100-pound bag -----	. 50 each
Poultry (live) in crates -----	. 12 per foot
Provisions, in tierces -----	. 80 each
Slates, per 1,000 -----	8. 00
Shooks and staves (in bundles) -----	. 09 per foot
Specie -----	$\frac{1}{2}$ %
Valuables and jewelry (minimum \$1 per package) -----	1%

5 per cent collection on all freight not prepaid.

The CHAIRMAN. I suppose these tariffs are made and modified from time to time?

Mr. GOTTHEIL. They have to be modified from time to time because of the very large indirect competition. I should like to say here, Mr. Chairman, if I am permitted to do so, that when the service was first established a few years ago there was practically no business worth mentioning between this country and India, because it was all dependent on indirect shipments, and the rates were impossible because, naturally, the joint rates had to be made by adding to the European rate the trans-Atlantic rate from port of shipment to port of transshipment on the other side. So that when the business was first started it was only possible, and could not have been attempted otherwise—it was only possible provided we secured a certain specific contract for each steamer or each month of a large quantity of case oil to India. So much so that in the beginning the greater part of the ship was taken up with case oil. It was elastic, and so far that that we could take a maximum or a minimum, and in that way we were enabled to work up quite a considerable direct business, because we

had made it a rule to give the rates from Europe, and to thereby place our manufacturers and our exporters on the identical basis on which the English and German manufacturers who had had a practical control of the trade are able to work?

Mr. HARDY. What do you mean by case oil?

Mr. GOTTHEIL. Petroleum oil in cases.

Mr. POST. Where do you get those consignments—from whom?

Mr. GOTTHEIL. The Standard Oil Co. ships it.

Mr. HARDY. That was the basis of your first export service?

Mr. GOTTHEIL. That was the basis of starting the service, and it is the basis to-day. If the Standard Oil Co. for some reason or other should be unable to ship the case oil the line would have to stop.

Mr. HARDY. They are still the greatest of your exporters—the main body of the export comes from them?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. That is, to the East Indies?

Mr. GOTTHEIL. East Indies; yes, sir.

Mr. HARDY. Does that enable you to carry other goods, having that as a basis?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. So that now you carry anything that is for export from this country to India on practically the same rates that they get from Europe?

Mr. GOTTHEIL. Yes, sir; of course we have many difficulties yet.

Mr. HARDY. No; but how long have you been running that line and giving the same freight terms?

Mr. GOTTHEIL. I should say about 10 years.

Mr. HARDY. How many sailings a month do you have from New York to the East Indies?

Mr. GOTTHEIL. That varies a little bit because sometimes the Standard Oil Co. wishes to make extra shipments, or wishes to curtail shipments.

The CHAIRMAN. I will say this, that we have the tariffs between the United States and India in the indirect trade now, from Baltimore, New York, Boston, and all those ports.

Mr. GOTTHEIL. The indirect trade?

The CHAIRMAN. In the indirect trade, yes.

Mr. GOTTHEIL. They are all in the indirect trade.

The CHAIRMAN. I say we have those tariffs now. We obtained them some time ago, so that it is now a question of comparison.

Mr. HARDY. You were just about to give the number of sailings that you have from New York in the direct trade.

Mr. GOTTHEIL. Yes, sir; our present schedule shows for Port Said, Hodeidah, Aden, Bombay and Calcutta, the steamship *Argenfels*, to sail about January 25; then for Port Said, Bombay, Tellicherry, Calicut, Cochin and Calcutta, the steamship *Schildturm* to sail about January 30; and for Port Said, Bombay and Calcutta the steamship *Pagenturn* to sail about February 15.

This will show you that we have to sail to the different ports to meet the requirements of the Standard Oil Co. for the delivery of their oil petroleum in cases at the various ports, and it is always the aim to include as far as possible Calcutta always, and Bombay in some of the services.

Mr. HARDY. Is New York the only port in the United States that has a direct line running to East India?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. These other ports either have to ship to New York or by way of Europe?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. Have you any passenger service?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. You say this is a direct line. Are there any conferences between you and the representatives of these lines engaged in the direct trade or those engaged in the indirect trade?

Mr. GOTTHEIL. There is no conference or agreement that I know of between the direct services and the indirect services.

The CHAIRMAN. Do you get together? How do you adjust the rates between you?

Mr. GOTTHEIL. We find it out in the market. We do not come together.

The CHAIRMAN. You do not come together?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. And hence there is no working agreement between you?

Mr. GOTTHEIL. None.

The CHAIRMAN. The rates are not made jointly?

Mr. GOTTHEIL. No, sir.

Mr. HARDY. And they in fact the same?

Mr. GOTTHEIL. No, sir; the position of the direct service by reason of the many ports of call that have to be made is a difficult one. The principal ports in India, and where most of the cargo is shipped to, are of course Bombay and Calcutta. And as you will have seen from the number of ports that we go to before we reach either one of these two important places we are a long time on the route, and we can not always make the delivery that is desired, and certain classes of goods we can not get at all, and in other classes the goods, in order to get them, we have to make concessions.

Mr. HARDY. Your direct route is a cheaper rate of freight than this indirect route?

Mr. GOTTHEIL. Generally speaking, I should say so.

Mr. HARDY. And in fact while you call yours direct and the other indirect, the indirect is the quicker communication?

Mr. GOTTHEIL. Well, I would not like to say so in all cases.

Mr. HARDY. You say that some classes of goods you do not get because of the difficulty of your delivery?

Mr. GOTTHEIL. If you can afford to pay a very high rate of freight which will enable you to send the cargo by the very fast ship across the Atlantic, and again by the very fast ship from Europe to India, if you can afford to pay that freight it certainly beats us.

Mr. HARDY. How much faster is your direct route from New York to India than this indirect route going by way of Europe, anyhow?

Mr. GOTTHEIL. So far as distance is concerned, I should say that there is practically no difference.

Mr. HARDY. Going from Europe by way of the Suez is about the same distance you have to travel across the Pacific?

Mr. GOTTHEIL. They have to go farther north, and they have got the shorter latitude. There is practically no difference.

The CHAIRMAN. Is there a difference growing out of the Suez Canal tolls making that a more expensive route from Europe than here?

Mr. GOTTHEIL. We go by the Suez Canal.

The CHAIRMAN. You do?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. You are also engaged in the trade with Java?

Mr. GOTTHEIL. We had a service to Java.

The CHAIRMAN. These same companies?

Mr. GOTTHEIL. Not exactly.

The CHAIRMAN. Tell me what companies have a service to Java.

Mr. GOTTHEIL. The service to Java is a joint arrangement between the Hansa Line and the German-Australian Steamship Co.

The CHAIRMAN. You are agents of both?

Mr. GOTTHEIL. Of both.

The CHAIRMAN. Are they both German companies?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. They are different corporations, however, owning different lines of ships?

Mr. GOTTHEIL. Entirely different; entirely separate.

The CHAIRMAN. Both engaged in the same trade. Have you a written agreement between them in this trade?

Mr. GOTTHEIL. I believe not.

The CHAIRMAN. You are working in accord?

Mr. GOTTHEIL. If you will permit me to explain, as I understand the situation——

The CHAIRMAN. Very well; we will be very glad to have you do that.

Mr. GOTTHEIL (continuing). There is merely an understanding between those two companies by which they will furnish steamers, each in turn, for the service. The explanation might be made here that when we started in this Java service it was commenced with the Hansa Line, and the German-Australian Co. was taken along because they practically go in that direction from Europe. There is rather more or less jealousy between the ports of Hamburg and Bremen. The Hansa Co. being domiciled at Bremen, we felt sure that unless the Hamburg interests were conciliated in some form or other there would be trouble, and hence we brought the two together. My senior partner, I might mention, who lives in Hamburg, is the chairman of the board of the German-Australian Line, and that made the arrangement one of a very friendly and close nature, and no agreements, I believe, exist.

The CHAIRMAN. But there is perfect harmony?

Mr. GOTTHEIL. It is one service, Mr. Chairman.

The CHAIRMAN. They have the same rates?

Mr. GOTTHEIL. Yes, sir. I should like to explain that, Mr. Chairman, if I may.

The CHAIRMAN. Yes.

Mr. GOTTHEIL. The Java business was started only a very short time ago. The imports to Java are very largely controlled by Dutch firms. It is a Dutch possession, and the financial centers are of course in Holland; and they control the larger part of the business, such as it is. With the exception of pipes for oil wells for Sumatra,

and so on, there really is very little traffic from this country to Java, and it has always gone via Rotterdam—or a large part of it goes via Rotterdam. The business therefore was only possible and could never have been entered into but, again, for a contract with the Standard Oil Co. to furnish a certain quantity of case oil—practically a whole cargo—with again some latitude as to minimum and maximum, so as to enable us to work up a general cargo trade. And I will candidly confess it has been a very, very disappointing sort of business.

Mr. HARDY. To go by Rotterdam you would have to go considerably out to the right to go to Java, would you not?

Mr. GOTTHEIL. No; because we can go through the Suez Canal, you know.

Mr. HARDY. But you have got to come up here and come back [indicating on map]?

Mr. GOTTHEIL. That is not so dreadful. Of course, it makes some difference, but not very much. The time is much less because of the quicker boats.

Mr. HARDY. You have quicker boats, and you think the time more than balances?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. Is the Hansa Line in any way connected with the Hamburg-American?

Mr. GOTTHEIL. Not at all.

The CHAIRMAN. Is there any joint ownership?

Mr. GOTTHEIL. No, no; not at all. I know they have an agreement—an understanding of some sort concerning a certain part of the service from Europe; that is to say, the Hamburg-American Co. has a few sailings in the Hansa Line service, from Europe to India, and in exchange for that the Hansa Line has a few sailings in the Hamburg-American service from Europe to the Far East.

The CHAIRMAN. Are there any contracts in the trade with India to Java, did you say?

Mr. GOTTHEIL. What contracts, sir?

The CHAIRMAN. Between your companies regarding the trade. Have you any contracts with shippers?

Mr. GOTTHEIL. For Java we have a large contract with the Standard Oil Co., already mentioned. We have a sort of an agreement with the Oil Wells Supply Co. and the Steel Co.

The CHAIRMAN. Have you copies of those contracts?

Mr. GOTTHEIL. I was not asked to bring any contracts at all, Mr. Chairman, in my subpoena; otherwise I would have done so.

The CHAIRMAN. Could you furnish them?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Will you do so?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Make a note of it, if you please, and furnish them to the committee.

Mr. GOTTHEIL. Yes, sir. I would like to make a statement here, Mr. Chairman. Of course, the contract with the Standard Oil Co. is a contract that provides for a certain quantity of case oil. Now, that is purely an absolutely competitive business, with the open tramp tonnage. Of course, if your committee rules that I must submit that with rates I will, of course, cheerfully obey; but I do not think that

I should be asked in this particular instance to let the whole world know, for instance, that my rate to Java is 30 cents, or my rate to Java is 10 cents. I am trying to work up a regular trade and I do not think the rate would help you here, but I will give the committee any information it desires.

The CHAIRMAN. We will take that up with you later and determine definitely about it.

Mr. HARDY. Would you give any other shipper the same rates under the same kind of a contract?

Mr. GOTTHEIL. There is no other shipper for case oil.

Mr. HARDY. But suppose there should be. I had in mind a company that might possibly enter into competition. Take the Texas Co. They produce a great deal of oil.

Mr. GOTTHEIL. If they gave the same quantities; yes.

Mr. HARDY. In other words, you would give the same contract to them that the other people have?

Mr. GOTTHEIL. Yes; if they gave the same quantity they could get it on the same basis.

The CHAIRMAN. You also engage in the trade with Christiania and Copenhagen?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. What lines are engaged in that trade from New York?

Mr. GOTTHEIL. The Scandinavian-American Line is the only line running to Christiania and Copenhagen at present.

The CHAIRMAN. Is that one company or is that a trade name, too, and embraces several?

Mr. GOTTHEIL. It is a trade name for one company. I will be glad to give you the name, but not for the record.

The CHAIRMAN. Is there any other company or any other line trading between ports of the United States to Christiania and Copenhagen?

Mr. GOTTHEIL. Yes, sir. There is a line known as the Norway-Mexico-Gulf Steamship Co. that carries cargo to Virginia and then goes down to Galveston and loads back from Galveston. They do not take any cargo from the northern ports to either Norway or Denmark.

The CHAIRMAN. Is there any understanding or agreement between your line and that line that it shall not take cargoes from the same ports or to the same ports?

Mr. GOTTHEIL. There is the greatest possible lack of understanding between those two concerns. In other words, they are in strict competition.

The CHAIRMAN. You say they do not go from New York to Christiania or Copenhagen?

Mr. GOTTHEIL. No; but they take cargo from the Baltic ports to Newport News, and this Scandinavian-American Line has also a service to Newport News, Philadelphia, Baltimore, and Boston; so that on the westbound traffic these two companies compete.

The CHAIRMAN. How about the eastbound traffic?

Mr. GOTTHEIL. They do not compete at all, because the Norway-Mexico-Gulf Line loads from Galveston entirely back to the Baltic.

Mr. HARDY. On your westbound trade, do you compete in rates or do you have the same rates?

Mr. GOTTHEIL. No; we compete in rates.

Mr. HARDY. There is no agreement as to rates?

Mr. GOTTHEIL. No, no.

The CHAIRMAN. Have you any agreement or understanding with any other companies engaged in this trade that you shall have the exclusive traffic from New York?

Mr. GOTTHEIL. There is an agreement between this company and the Hamburg-American Line, the North German Lloyd, and the Wilson Line concerning the traffic to Baltic ports.

The CHAIRMAN. Just state what that is. Is it in writing?

Mr. GOTTHEIL. It is in writing, but I have not it here.

The CHAIRMAN. State, from your best information, what that agreement is.

Mr. GOTTHEIL. The agreement is to hold for certain rates and divide up the traffic that is secured by these four companies among ourselves. Of course, there is a great deal of other competition by indirect routes, outside of these companies named. It is only so far as the traffic goes which they themselves should secure, and the rates are always made with regard to this indirect competition, which is via Liverpool, via London, via Glasgow, and other ports.

The CHAIRMAN. As between yourselves, you make the same rates, or do they pool?

Mr. GOTTHEIL. No; we do not make always the same rates. They sometimes vary in rates for this reason, that one might get more than its percentage; so that if a company should be behind with its percentage, the rate is put down until the full percentage is secured.

Mr. HARDY. Is it that way or is it the other? If one is ahead with its percentage, is the rate put up?

Mr. GOTTHEIL. Sometimes it is that, too; but as a rule it is put down.

Mr. HARDY. As a rule, the company which is behind puts the rate down, rather than the company which is ahead puts the rate up?

Mr. GOTTHEIL. Yes; so as to force the flow.

Mr. HARDY. The purpose of that is to make a pool?

Mr. GOTTHEIL. That is the purpose, that each company should just about carry the percentage agreed upon. They never like to pay out money.

The CHAIRMAN. That understanding applies not only to eastbound but westbound trade, from the Baltic ports, does it not, in freights?

Mr. GOTTHEIL. Yes. A similar understanding applies to west-bound business.

Mr. HARDY. You used an expression that they "never like to pay out money." From that expression I gather if you can not equalize by arrangements you do equalize by mutual division?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Have you that agreement in your possession?

Mr. GOTTHEIL. I have not, sir.

The CHAIRMAN. Have you a copy of it?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. Could you get it for us?

Mr. GOTTHEIL. I will try to.

The CHAIRMAN. We will be very glad to have it, and feel quite sure on account of your very close relations with the principals, that if you bring the proper influence to bear you can get it.

Is there any conference in New York between these lines that are in the Baltic pool?

Mr. GOTTHEIL. No; there is not a conference. They meet every day on 'Change. They are all more or less good friends, and they come together perhaps in one of the offices or the other, but nothing fixed at all. When they think it is necessary to discuss a matter, they do so.

The CHAIRMAN. You discuss the rates when you get together?

Mr. GOTTHEIL. We discuss the rates, yes.

The CHAIRMAN. And where are the transactions with reference to the pool kept; and if there is any accounting made by one line to the other of payments, where is that kept?

Mr. GOTTHEIL. It is on the other side, but I can not tell you where it is. I would rather believe it is done in Hamburg.

The CHAIRMAN. State whether or not it is at Guina.

Mr. GOTTHEIL. I do not think so. I do not know, but I do not think so.

The CHAIRMAN. There is a conference there, is there not, of which Mr. Peters is the secretary?

Mr. GOTTHEIL. Does not that refer—I believe that refers very largely to passenger business.

The CHAIRMAN. I do not know.

Mr. GOTTHEIL. Perhaps westward bound business, I do not know.

The CHAIRMAN. Of course, I do not think there is any doubt about a pool of passenger business, and I am very rapidly coming to the opinion that it applies equally to freight business.

Mr. GOTTHEIL. I have not the information, Mr. Chairman. I have my doubts whether that comes under—whether that particular arrangement is taken care of by Mr. Peters. It is not important and I would tell you if I knew.

The CHAIRMAN. I believe you are also agent for a line engaged in the trade between New York and Rotterdam?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. What other companies are engaged in that trade—what companies do you represent in that trade?

Mr. GOTTHEIL. The Holland-American Line.

The CHAIRMAN. The Holland-American Line?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. What other companies are engaged in that trade?

Mr. GOTTHEIL. The Urania Steamship Co. runs regularly from New York to Rotterdam.

The CHAIRMAN. Any other?

Mr. GOTTHEIL. No regular service. The Russian East Asiatic Steamship Co. once in a while goes in there, but very irregularly.

The CHAIRMAN. Does the Hamburg Line run there?

Mr. GOTTHEIL. No, sir.

The CHAIRMAN. What is the arrangement between your company and the others in that trade, both as to eastbound and westbound freight, briefly?

Mr. GOTTHEIL. There is no arrangement whatsoever between the Holland-American Line or the Urania Steamship Co., either eastbound or westbound, to the best of my knowledge, and I feel certain that it does not exist.

The CHAIRMAN. You mean you are in open competition?

Mr. GOTTHEIL. Absolutely.

The CHAIRMAN. Well, you both conform to the same rates?

Mr. GOTTHEIL. No, sir; They could not get our rates if they tried.

The CHAIRMAN. Why?

Mr. GOTTHEIL. Because our ships there are far superior.

The CHAIRMAN. How is that?

Mr. GOTTHEIL. Our ships are far superior in quality and in speed.

The CHAIRMAN. You mean you give so much better service?

Mr. GOTTHEIL. Much better; more regular, more frequent, and of course, I am sure, less insurance. All our boats are twin-screw boats, constructed by the very best builders in the world, Holland & Wolf. They can not touch us.

The CHAIRMAN. And for that reason they are no menace to you in that trade?

Mr. GOTTHEIL. They are. It is all within a very certain limited range. It might be half a cent a hundred pounds, but we can not go beyond it. The European trade, Mr. Chairman, if I may state here, is entirely different from the trade we have discussed, and it is generally known among us as the long-voyage trade. That is to say, the ships that go to Australia, Asia, India, and China—that is the long-voyage trade. The moment you touch the trans-Atlantic trade you reach an entirely different proposition. There you have the biggest competitive trade in the world. The large proportion of our trade is grain. That is absolutely competitive. Flour the same way; oil the same way; and provisions practically so. Those are four commodities that are all the time in strict competition with the other agricultural countries like ours that are selling in the European markets. When it comes to the higher class of goods, of course, there is a similar condition, but it is competition in the fullest sense of the word.

The CHAIRMAN. Do you mean to say, or for us to understand from that, that there is no joint traffic agreement between the various ship lines engaged in the north Atlantic trade by which rates are maintained or regulated, but open, and by which what you are pleased to term “destructive competition” is eliminated?

Mr. GOTTHEIL. I do not know, Mr. Chairman, what is done exactly with the traffic to the Mediterranean, because my firm is not engaged in that particular direction. As there seems to be a widespread opinion or suspicion that the whole of the European traffic is controlled by a set of agreements or understandings (always speaking east bound), I will enumerate the different ports and explain the situation as far as I can give it. There is no understanding, to the best of my knowledge, in the trade from New York to London, for the simple reason that there is no other service excepting the Atlantic Transport Line Co., owned by the International Mercantile Marine.

The CHAIRMAN. Right there, I would like, for the record, to have you state what companies are owned and controlled by the International Mercantile Marine. That is an American corporation?

Mr. GOTTHEIL. Yes. The International Mercantile Marine owns and controls the International Navigation Co., known as the American Line; the Oceanic Steamship Co., known as the White Star Line.

Mr. BURLINGHAM. The International Steam Navigation Co.

Mr. GOTTHEIL. Is it the Steam Navigation Co.?

Mr. BURLINGHAM. Yes: the International Steam Navigation Co.

Mr. GOTTHEIL. Well, the International Steam Navigation Co., the Leyland Line, the Atlantic Transport Line Co., the National Steam-

ship Co., and the Mississippi & Dominion Steamship Co. The International Steam Navigation Co. is known as the Red Star Line.

Mr. HARDY. You say that is an American corporation?

Mr. GOTTHEIL. The International Mercantile Marine is an American corporation.

Mr. HARDY. It is really a consolidation of all these companies?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. These consolidated companies under the control of this American corporation, are they American companies, or what are they?

Mr. GOTTHEIL. No; they are foreign companies, except the International Steam Navigation Co., which is an American company.

Mr. HARDY. Do the stockholders in this American company, which is a consolidation of all these companies—are they made up of the stockholders of these consolidated companies?

Mr. GOTTHEIL. No, sir; not entirely.

Mr. BURLINGHAM. It is a holding company.

Mr. GOTTHEIL. Yes. In other words, the International Mercantile Marine is a holding company, managed by trustees.

Mr. HARDY. That holds the other companies for the mutual benefit and adjustment of their several interests?

Mr. GOTTHEIL. Of the whole, yes. They hold the shares of the other companies. The International Mercantile Marine Co., have, of course, issued bonds and shares.

Mr. HARDY. And those shares and bonds are held all over the world, are they?

Mr. GOTTHEIL. They are held very largely here.

Mr. HARDY. Very largely in America?

Mr. GOTTHEIL. Yes.

Mr. HARDY. Is the majority of it held here, do you think?

Mr. GOTTHEIL. Yes.

Mr. HARDY. Does that dominate the trade from Europe and from London, as well as to London from this country?

Mr. GOTTHEIL. Yes, sir; shall I go on?

The CHAIRMAN. Is there any agreement between the Hamburg-American Line and the Holland-American Line by which the Holland-American Line is to have exclusive trade as between them with ports, particularly the port of Rotterdam?

Mr. GOTTHEIL. I know of no such agreement.

Mr. HARDY. How does it happen that you have that kind of mutual competition in that trade? Because you have the finer boats?

Mr. GOTTHEIL. That we have the competition?

Mr. HARDY. Yes.

Mr. GOTTHEIL. You mean the Urania Steamship Co.?

Mr. HARDY. Yes. I understood you to say, with reference to the Holland trade, that you had two companies there which had no rate agreement.

Mr. GOTTHEIL. I said as far as the Urania Steamship Co. was concerned, there is no rate agreement. The other company only goes sporadically, you know.

Mr. HARDY. They are not important enough to make an agreement here?

Mr. GOTTHEIL. They have some understanding.

Mr. HARDY. Oh, they have some understanding?

Mr. GOTTHEIL. Yes.

Mr. HARDY. What sort of an understanding?

Mr. GOTTHEIL. Well, they have an understanding by which—of course, the Russian East Asiatic Steamship Co. is practically and simply intended to run to Russian ports, and they do run to Russian ports; but every once in a while, when a cargo is lacking, they are obliged to call elsewhere, and they have selected Rotterdam as the port; and as they only come in sporadically, rather than have a fight with the existing service that has been established for the last 40 years, that has built up its business second to none in Europe, the Russian East Asiatic has made a rate agreement or understanding by which the rates are maintained by this company whenever they find it necessary to go into the port of Rotterdam to compete there.

Mr. HARDY. In other words, you have a tentative agreeable arrangement between you?

Mr. GOTTHEIL. Yes, sir.

The CHAIRMAN. Now, what is the Dutch name for the Holland American Line?

Mr. GOTTHEIL. The company's name?

The CHAIRMAN. Yes.

Mr. GOTTHEIL. The Netherlands American Steam Navigation Co.

Dr. HUEBNER. In the N. D. L. V. passenger agreement, or the Nordatlantischer Dampfer-Linien Verband agreement, to which contract the Hamburg-American Line and the Holland-American Line, the North German Lloyd Line and the Red Star Line were the signatories, there also appears a trade agreement which is found in articles 31 and 32. Article 31 provides as follows:

All the lines—

That is, the signatories I have just mentioned—

* * * bind themselves that their vessels in the trade in the United States of North America and Canada shall not call either outward or inward at any home or adjacent port from or to which the vessels of any of the other lines are already sailing.

In case this article should be contravened, the line whose port is being improperly called at is entitled to withdraw from this present contract, and article 27 will be applied against the line thus infringing the aforesaid stipulations, inasmuch as an improper calling at the port will be considered as an action which renders this present contract impossible and is, therefore, equivalent to the withdrawal from the same.

This last part is passenger.

Then, article 31 also provides:

By the words "in the trade" it is understood among the continental lines: Passenger, mail, and freight—

And it would seem from this that the German lines and the Dutch lines and also the Red Star Line have formed an agreement, a trade agreement, involving not only Europe but all of North America, including Canada, both as regards the outward and the inward traffic. Now, I would like to know if you have any evidence to show that this section of the N. D. L. V. agreement is still in force, or is not in force.

Mr. GOTTHEIL. I have first to state that, of course, I did not know of its existence. I have never seen the agreement, and as freight

agent I would not be likely to be informed; so, as I did not know that it ever existed, I am not really in a position to tell you whether it has been abrogated. - I do not know.

Mr. HARDY. Do you live according to the terms of that agreement?

Mr. GOTTHEIL. It is very easy to state that none of those companies, each of which had its fixed ports of destination on the other side—the Holland-American Line is there to develop Rotterdam; it would not dream, it could not afford to go with its boats, anyhow; the schedule would not permit it—they have all they can do to handle their own business. The same applies to the Red Star Line at Antwerp, and the same applies to the Hamburg-American Line at Hamburg, but that does not do away with the fact that there is considerable competition between those very companies, although they limit themselves to certain ports of discharge. I can assure you, for instance, the Holland finds very strong competition sometimes in the case of the Hamburg-American Line, because, after all is said and done, the port of Rotterdam does not anywhere approachingly consume the amount of cargo that is—I mean Holland does not consume the amount of cargo that is shipped to Rotterdam; it is the transshipped cargo on which the port of Rotterdam has to depend—the cargo goes down the Rhine that reaches as far as Switzerland. That is the cargo the Holland-American Line, or port of Rotterdam, must depend upon, and you can not tell, you know, what may be done through the port of Hamburg, what rates may be made inland by the railroads, or, as you know to-day, they have developed another port called Emden, and there is the question of inland transportation, and it is very largely into the matter of reaching the final destination of certain cargo goods, so that what applies to Rotterdam and Hamburg applies very largely with the same force to Antwerp and to Bremen. The country behind the ports.

Mr. HARDY. In other words, as to whether you can get to the point of final destination by shipping through Amsterdam or southern ports?

Mr. GOTTHEIL. Yes; and very often there is strong competition. Just to give you an example, we have had by Rotterdam very largely—a great production, at least, of the copper that has been going into the Rhine district, especially into the Rhine district and around there, where a good deal of copper business is done, and Hamburg has been after this business for some little time and has got to be watched, so while they have an agreement not to trade on each other's territory so far as the ports are concerned, there is nevertheless the strongest competition between those four companies for all cargo from the United States to their respective ports of discharge.

Dr. HUEBNER. I may add that from evidence which we have, the agreement I have just read did exist up to December 31, 1909. Consequently it is quite recent. Now as regards the passenger pool, there are a very large number of contracts between the steamship lines as well as between the Nordatlantischer Dampfer and these other firms. We have considerable evidence which leads us to believe that the situation has been duplicated in the freight business in the same manner as we know it exists in the passenger business, consequently in another agreement to which I wish to call your attention, namely, agreement "G." as it is called—that passenger agreement was made

between the N. D. L. V. and the freight line. It commenced January, 1903, and continued thereafter from six months to six months, and judging from letters this agreement was in existence on January 29, 1909. Now in that agreement "G" there is also incorporated a freight agreement, namely, Article X. You will understand this agreement is made between the N. D. L. V. and the freight line, and Article XI provides—

That the port of Havre is especially reserved both for freight and passenger business by direct line to and from the United States to the French line.

It also provides—

all other French and Atlantic channel ports, with the exception of Cherbourg and Bologne, will also be reserved to the French line.

That would seem to indicate that there has been a division of ports arranged for by agreement by the N. D. L. V. and the French line. Do you happen to know whether that is actually a fact?

Mr. GOTTHEIL. No; I do not know. I should like to state here that I know probably less about the passenger business than you do.

Dr. HUEBNER. But this is freight business.

Mr. GOTTHEIL. As far as the French line is concerned, of course they will have to speak for themselves; I do not know. I wish to state most positively that to my own knowledge there is not and there can not be any agreement between these companies governing the shipments from the United States.

Dr. HUEBNER. But there can be an agreement as regards parceling out the ports, can there not?

Mr. GOTTHEIL. I have no doubt that is right.

Dr. HUEBNER. Both as regards the traffic to and from New York?

Mr. GOTTHEIL. That, I dare say, is the case.

Dr. HUEBNER. Or all of North America?

Mr. GOTTHEIL. That may be; that is quite proper.

Dr. HUEBNER. I will also call your attention to another agreement, entitled agreement "M." The agreement deals chiefly with the passenger traffic, and the agreement was made again between the N. D. L. V. and the Austria-Americana Line, and this agreement we also know was in existence as late as December 31, 1909, and is continued from year to year. Now, within this passenger agreement there is another freight agreement:

As regards dividing the territory to the effect that the parties agree that the Austria-Americana endeavors to secure its business out of Austria. The Austria-Americana pledges itself to establish no freight or passenger business of any kind between Bordeaux or port north of Bordeaux and North America or Canada, or to have any interest, direct or indirect, in such service. Such sailings or freight only will be allowed provided they do not enter into competition with the N. D. L. V. lines.

The CHAIRMAN. State right there what those are.

Mr. GOTTHEIL. They have been enumerated.

The CHAIRMAN. In this connection can you give them, Mr. Gottheil?

Dr. HUEBNER. The North German Lloyd, the Hamburg-American, the Holland-American, and the Red Star lines were the signatories to that agreement. Now, this agreement also provides that—

the N. D. L. V. lines declare to have no intention of establishing lines from the Adriatic to North America or Canada. Should the N. D. L. V. lines on account

of an existing or a competition about to arise be compelled to establish such a line, the Austria-Americana shall have the right to consider this agreement of no force so long as such a line is continued.

Now, of course, all of these agreements seem to have been arranged in Germany, just as the passenger agreements are, and Mr. Peters, of course, is the secretary of all of them. That agreement also would indicate a parceling out of the European ports between these big North Atlantic lines.

Mr. GOTTHEIL. It seems to indicate merely that wherever a line had been established and furnished a sufficient and responsible service, that between those different concerns it is recognized that that is their port, and that the other would not interfere, but of course I have no knowledge; I have never seen those agreements, and of course that does not interest me.

Dr. HUEBNER. Among these passenger agreements, which are now quite generally known, there is another very important agreement called "The Mediterranean Steerage Traffic Agreement," which was to run from February 8, 1909, to January 13, 1911, and to continue thereafter from year to year. The committee has received a Mediterranean tariff agreement, and a careful reading shows that this agreement also is modeled very closely after the steerage agreement. This Mediterranean tariff agreement of December 15, 1911, governs the westward traffic for practically the whole of Italy, and is followed by the six Italian lines, also the Anchor Line, the Hamburg-American Line, the North German Lloyd Line, and the White Star Line, the Cunard Line, and the Austria-Americana, and this freight agreement provides, in Article I, "That the object of the agreement is declared to be the assurance to each group of lines," that is, the Italian lines and the others, "a certain proportion of the freight in cargo loaded at all ports of Italy and Sicily to all ports in the United States of America and Canada."

Article II constitutes a pooling agreement, each group of lines to get 50 per cent of the traffic. It seems the rate is definitely fixed in Article IV, and to be brief, I wish to call your attention to the fact that this agreement also provides—

a deferred rebate, not exceeding 10 per cent of the freight, may be granted to shippers who support the lines, parties to this agreement, and who do not give any cargo to any other competing liner steamer at any time.

Judging from these facts, the committee has a very strong impression that the whole territory of Europe has been parceled among the North Atlantic lines for purposes of regulating the freight traffic. We want to know if you have any facts that have come under your observation which would indicate that our impression is correct?

Mr. GOTTHEIL. I have not any doubt from what I have heard that there is an agreement between the four lines mentioned, namely, the Hamburg-American, the North German Lloyd, and the Red Star Line, and consequently, probably the freight line, by which they regulate the west-bound traffic. But I have not heard anything about the Mediterranean traffic, but, of course, your agreement there recites the facts.

Dr. HUEBNER. I also wish to point out, with the consent of the chairman of the committee, that this agreement is dated January

8, 1912, Jena, Germany, and Mr. H. Peters, in Jena, who is secretary for all of these passenger agreements, is also appointed here as the general secretary.

Mr. GOTTHEIL. He ought to be called the universal secretary.

The hearing thereupon adjourned until 2 o'clock p. m.

AFTER RECESS.

The committee reconvened pursuant to the taking of recess.

TESTIMONY OF MR. PAUL GOTTHEIL (continued).

The CHAIRMAN. We have not asked you, yet, as I recall, with reference to freight from our ports here to the United Kingdom and the conditions that exist in that trade as to agreements between the different lines.

Mr. GOTTHEIL. My firm does not represent any services from New York to any port in the United Kingdom, and I have, therefore, no actual knowledge of what the conditions are.

The CHAIRMAN. You say you do not know whether there is any agreement between the lines you represent and those lines going to the United Kingdom, with reference to a division of territory or ports?

Mr. GOTTHEIL. None, so far as I know.

The CHAIRMAN. You know the conditions that exist?

Mr. GOTTHEIL. I do not: no.

The CHAIRMAN. You say you do not?

Mr. GOTTHEIL. No.

The CHAIRMAN. Is there any agreement between the lines you represent and other lines as to what ports in Europe your lines shall go and to what ports in Europe the other lines shall go? I understood from your statement before noon that—take the Hamburg lines—they go to Hamburg; the Hansa to ports in Holland, and the North German Lloyd to Bremen. Now, is that pursuant to any agreement between them that each shall not go to the other's ports—invade the other's territory?

Mr. GOTTHEIL. Mr. Chairman, I think you did not intend to say the Hansa Line to Holland.

The CHAIRMAN. The Holland-American.

Mr. GOTTHEIL. To Rotterdam?

The CHAIRMAN. Yes, to Rotterdam. I am not very familiar with these names.

Mr. GOTTHEIL. Yes. There is no mutual agreement, so far as I know, beyond what was read here from this general agreement between those different lines.

The CHAIRMAN. The N. D. L. V. lines?

Mr. GOTTHEIL. Yes. Of course there is—I wish to state, I wish to explain the development, if you will permit me, of these different ports. From each of these ports there have been several services at one time and another. Many years ago, from Hamburg, there was an opposition service started, which was known as the Eagle Line. Later on there was another service started which was known as the Union Line. The Eagle Line, after operating for some time, went out of existence. The ships were bought up by the Hamburg-Ameri-

can Line. The Union Line was practically, under an agreement, acquired later by the Hamburg-American Line. I do not recall that there was any opposition from Bremen against the North German Lloyd. As far as Antwerp is concerned there was at one time a service known as the White Cross Line, for which my firm were agents, which ran in opposition for quite a while to the Red Star Line, but the service was so unprofitable that the service was withdrawn, and the ships were sold. As far as Rotterdam is concerned, I do not recall—yes, there has been opposition services, which were running for a while, and then disappeared, because the business was not profitable. And the result of all this development has been that these large companies have provided the trade with an increasingly efficient service. They have continually improved their fleet, and they helped the trade to develop the facilities of the port, with the result that they are the best services to the Continent, and, as such, respect each other's ports.

The CHAIRMAN. Take, for instance—I would like to know about the rate from our ports here, New York, for instance, to Hamburg, Bremen, Antwerp, and Rotterdam, on the same commodity—whether there is any difference in it or not.

Mr. GOTTHEIL. Oh, yes; they each make their own rate, whatever they think the commodity will stand, their interest being to develop their particular trade as far as they possibly can, and attract cargo to that port.

The CHAIRMAN. So that there are uniform rates from our ports here, say, New York, to all these different European ports?

Mr. GOTTHEIL. No, sir; there are not.

The CHAIRMAN. You could not ship a cargo of flour from New York to Hamburg, Bremen, or one of those other ports at the same rate?

Mr. GOTTHEIL. No, sir; the rates vary according to the condition of the business.

The CHAIRMAN. But, there being no competition between those different lines to and from these different ports, of course each line controls absolutely the rate?

Mr. GOTTHEIL. So far as the market will permit.

The CHAIRMAN. That is what I say. They do not want to make the rate so high that the commodity will not move.

Mr. GOTTHEIL. No. As I stated this morning, the ports are merely—they merely permit the movement of the cargo destined to interior points, at which interior points all those four ports more or less compete. And, to repeat what I said this morning, Rotterdam has, through its water navigation to the Rhine country, a decided advantage over the other ports, where the cargo is moved more or less by railway. At the same time, there are points where, of course, different ports would meet and compete, and there is, therefore, no limit. I mean, it is not an unlimited rate making, but it is rate making that is governed by the competitive conditions.

The CHAIRMAN. For instance, suppose a commodity be shipped from New York to Berlin. The rate would be the same by way of Bremen or Hamburg, would it not? Hamburg is a competitive point?

Mr. GOTTHEIL. Without speaking with definite knowledge, I should say Berlin would probably draw a lower inland rate through Hamburg than it would through Bremen, but I am not positive.

Mr. HARDY. Do you not think that in the matter of making rates it would be the same to Berlin whichever way it goes?

Mr. GOTTHEIL. No, sir; I think not.

The CHAIRMAN. We have the report from one of these so-called conference lines to this effect: The freight traffic from the United States is worked by the steamship lines in a manner very similar to that which the railroads in this country pursue regarding their traffic, and it is done by the representatives of the various lines interested in a similar business, meeting at times to discuss the minimum rates below which they will not quote, after which each line files with the secretary of the conference its respective minimum rates. Now, you have knowledge of the existence of that?

Mr. GOTTHEIL. I do not think this refers to the Continent.

The CHAIRMAN. Yes; I think it does. I will read you further. It says: In addition to the agreements referred to in this report we understand there are certain agreements covering westbound freight traffic to the Continent to which the same particular services are parties, and also the United Kingdom and Italy. It says these are all made abroad and are handled there entirely. The rates are simply furnished to us by the offices abroad when desired by patrons.

Now, that does not seem to be confined to any one service, to the United Kingdom, Europe, or Australian ports.

Mr. GOTTHEIL. This now deals with westbound traffic?

The CHAIRMAN. Yes.

Mr. GOTTHEIL. That particular part of the report.

The CHAIRMAN. Then following that is the paragraph to which I have called your attention, that the freight traffic of the United States is worked by the steamship lines eastward in a manner similar to that which the railroads in this country pursue regarding their traffic.

Mr. GOTTHEIL. I think this again refers to the United Kingdom lines, because of the paragraph below, which specifically states—

the continental lines' agreement to which some of the lines in which they are interested are a party.

The CHAIRMAN. As I understand from this, it is simply this: In the first place the Hamburg-American Line at least will not enter any of the other ports except their own, and so with the North German Lloyd; and then the different lines that go to ports of the United Kingdom meet in conference and agree upon rates to all competitive points.

Mr. GOTTHEIL. Westbound?

The CHAIRMAN. And eastbound as well.

Mr. GOTTHEIL. Eastbound. I venture to say, so far as our port is concerned, Rotterdam, it is not the case; and I do not believe it is the case eastbound, so far as the other three ports mentioned are concerned.

The CHAIRMAN. You think that the freight traffic from the United States to those points is not worked by the steamship lines in a manner similar to that which the railroads of this country pursue regarding their traffic?

Mr. GOTTHEIL. That seems a very broad statement and should require some explanation.

The CHAIRMAN. Well, is it a fact?

Mr. GOTTHEIL. Well, in what manner do the railroads work those agreements?

The CHAIRMAN. I have a notion about it. It may be that I am right, or I may be wrong, but I know they have the same rates to all competitive points; and I have a notion that they meet, their traffic agents do, and agree. I do not think there is any doubt about that.

Mr. GOTTHEIL. I think, Mr. Chairman, that is quite correct. The rates are changed by the railroads with the Interstate Commerce Commission and they are changed practically at the same time and the rate change is the same on the part of all the railroads. I quite understand that, and if that is what you meant, then I wish to say it is not done to the Continent, and that report must then refer to the United Kingdom lines.

The CHAIRMAN. Have you any knowledge at all of conferences in the North Atlantic trade with the Continent?

Mr. GOTTHEIL. No, sir; we have only got what we call a conference; what Mr. Hardy styled yesterday a school-teachers' agreement. That deals only with noncompetitive matters.

Mr. HARDY. Is it not a fact that as to important ports, your trade going eastward, you do not have any conferences because all of the ports are in the hands of one company—each one of the important ports?

Mr. GOTTHEIL. Practically so.

Mr. HARDY. For instance, London has not any, because they only have one line?

Mr. GOTTHEIL. Only one line; yes.

Mr. HARDY. And the same thing with the others?

Mr. GOTTHEIL. The White Star Line runs to Liverpool, and they may have an agreement with the Glasgow lines, because Liverpool and Glasgow are adjacent. No doubt they do have an agreement.

Mr. HARDY. Mr. Gottheil, substantially, there is an agreement as to all the important ports in the United States and Europe, is there not?

Mr. GOTTHEIL. There is no contention.

Mr. HARDY. Most of them only have one line?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. Then, does the Red Star and White Star compete anywhere?

Mr. GOTTHEIL. The White Star goes to Liverpool, and it does not compete with the Red Star going to Antwerp.

Mr. HARDY. The Red Star does not go to Liverpool and the White Star does not go to Antwerp?

Mr. GOTTHEIL. No.

Mr. HARDY. Each of the important cities have practically only one line?

Mr. GOTTHEIL. They have practically only one line; practically, yes; and that is the evolution of years of fighting, until, through a survival of the fittest, they have remained in the trade.

Mr. HARDY. That is a centrifugal process of evolution?

Mr. GOTTHEIL. A centrifugal process of evolution. It is different with those in the long-voyage trade. It is almost impossible for one single company to furnish an efficient and adequate service in the long-voyage trade.

Mr. HARDY. But in the sporadic trade to the outlying little places one might go there without consulting the other?

Mr. GOTTHEIL. Yes.

Mr. HARDY. And, generally, Mr. Gottheil, you rather insist, where there might be competition, on four or five elements: Scheduled sailing to the United Kingdom; rates; contracts for joint account where there are different interests; the pooling of profits, deferred rebates, and also territorial division?

Mr. GOTTHEIL. Deferred rebates do not exist there.

Mr. HARDY. In this way——

Mr. GOTTHEIL. No.

Mr. HARDY. They don't exist in this way because they are illegal?

Mr. GOTTHEIL. Not exactly; I do not admit they are illegal.

Mr. HARDY. Of those five or six essentials, where they do exist, as far as has been testified about to us, which do you consider as essential things?

Mr. GOTTHEIL. The essentials are the necessity of regular and adequate and sufficient sailings, which the trade requires.

Mr. HARDY. They require scheduled sailings?

Mr. GOTTHEIL. The trade requires not definite sailings, because during an active season they must find additional steamers. The next essential is the fixing of rates, and perhaps the third question will be the question where there is——

Mr. HARDY. By fixing of rates you mean fixing uniform rates?

Mr. GOTTHEIL. Not uniformity of rates, but stability of rates. And the next important point is the establishment of some sort of an arrangement where there is more than one ownership.

Mr. HARDY. That is, a contract for joint accounting?

Mr. GOTTHEIL. By which they work together; and the fourth desirability is to have a rebate system.

Mr. HARDY. Under all those circumstances is not the present modern tendency to centralize all the instruments of transportation, and to gradually make them more and more one vast concern?

Mr. GOTTHEIL. Only so far as certain sections are concerned. I do not admit at all the general impression that has been made, that the whole trade is worked as one unit, or even tends in that direction.

Mr. HARDY. It is not required that the trade from here, and from Asia, should be related to the trade to South America, perhaps, if there is no prolongation of one voyage to the other?

Mr. GOTTHEIL. No.

Mr. HARDY. But, wherever they trade, there is a unity?

Mr. GOTTHEIL. There is a unity.

Mr. HARDY. Between the shipping interests?

Mr. GOTTHEIL. Yes, whether it is under a foreign flag or under the American flag; it does not make any difference.

Mr. HARDY. And is it not a further fact that where there is unity, there is no competition; you use means to obstruct a real invader?

Mr. GOTTHEIL. We have not had any invasion of late.

Mr. HARDY. And you are not likely to have between here and London?

Mr. GOTTHEIL. No.

Mr. HARDY. Now that South America is gradually assuming a little importance, you are liable to run in and maintain now and then a little competition?

Mr. GOTTHEIL. It is quite possible.

Mr. HARDY. Like the Lloyd Brasileiro?

Mr. GOTTHEIL. Yes. The Lloyd Brasileiro stands rather separately, because it is a national line.

Mr. HARDY. It is a Government line?

Mr. GOTTHEIL. It is a national line and has a big subsidy from the Government, and of course subsidized lines are in a different category.

Mr. HARDY. Then there is another element, you do not want to run counter to the Government in any country, and they have too little there to divide with any outsider?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. In these five or six requisites, of special features, special agreements, which do you consider the most necessary to the successful conduct of the business—scheduled sailings, rebates, or joint accounts?

Mr. GOTTHEIL. Well, Mr. Hardy, I will give you my view of that situation. You have heard, from the testimony given by the steamship people who have appeared before you so far, that there is practically an arrangement between the different companies in the different trades, and that these arrangements are governed either by an understanding, or go still further and they are governed by a division of traffic or pooling agreement. Supposing we assume, for argument's sake, that in the suits now pending against two of the freight services the Government is successful in its contention, and that, let us say, in the suit against the China lines it is decided that the arrangement under which they are working is illegal and can not be pursued under the present laws of this country. Then we reach the position as to what will happen next, and my point is that the following is likely to happen:

Here are four companies giving the necessary service, the required service. They have mostly their own boats, and they must disband; they must no longer work together. Until this condition was reached, speaking from the very beginning of the development of that particular trade, there was competition between the lines to such an extent that money was lost very heavily by these different concerns, but with all of them there was the ulterior motive that they would get together and make an arrangement under which they would be able to profitably and successfully operate their services, their joint services. Now, you go ahead and tell these four concerns that they must absolutely stop this arrangement, because it is not—it is illegal. These four people will have to come together, and in my opinion the result will be that one of them, probably the strongest, will say to the rest, "Gentlemen, we can not work together. Now, I am going to fight you until you get out or, if you like, I am going to buy you out." If they fight, you can understand that it must be a case of the survival of the fittest, because there is nothing to be gained by continuing the fight; there is no end to it. There is no change that can be brought about in fighting, therefore, it would simply mean that in the end three of the four lines must go out. They must disappear, unless they do the other thing and sell out to the one man who says "I am willing to buy you out, and let's agree on the terms." The result can not be otherwise than that, in the end, there will be one service only that will be recognized as the big service running to far eastern points.

Now, I believe (although I do not wish this to be misunderstood) that in that group of services known as the long-voyage service, where owners are not situated as they are at Hamburg, Rotterdam, and as they are at London and the principal ports to which they run, where they have no intimate and close connection with the other ports—I do believe that there is a greater safety for the trade as a whole that there should be more than one man running to those different services, because if there is one man, he is omnipotent, and he is apt to get arbitrary. He has no interest in the port himself, he is away from it, and he thinks that such and such a thing must be done, and there is no way to stop him. But, if you have three or four different lines operating in a certain direction, you will always find one or two to counsel wisdom, and counsel the other hot-headed man not to go ahead and jack up the rate to a basis where the trade would be killed.

Mr. HARDY. That is the condition in the trade from New York to London, is it not? There is only one control, one ownership?

Mr. GOTTHEIL. There is only one concern. But I make the point that where the owner lives in London, he knows the necessities of his trade a great deal better than the man who stays in Liverpool and has a ship running to China.

Mr. HARDY. You think, then, it is all right for a man to own most of the transportation running from one city to the balance of the world and to provide the lines in that great city?

Mr. GOTTHEIL. I say he knows the trade better, he knows the requirements of the trade better.

Mr. HARDY. As I understand you, Mr. Gottheil, you have reached the conclusion that absolute domination is the ultimate end, by whatever way you come to it?

Mr. GOTTHEIL. I would not call it absolute domination; I do not believe that is correct.

Mr. HARDY. You spoke about one man being arbitrary and might jack up rates unreasonably, if he did not live at the place. Now, is not that altogether possible that an arbitrary man might do that now, if he did not live at the place?

Mr. GOTTHEIL. If he lived in London or Holland and acted on that basis, he would be more apt to get opposition than he would on the long-voyage trade.

Mr. HARDY. Is not that what all the boats fear? Is not the fear of ruinous opposition all that prevents any practice of extortion?

Mr. GOTTHEIL. No; I think not.

Mr. HARDY. What is it that prevents extortion?

Mr. GOTTHEIL. Because of the interest that every man must have and feel, that by keeping the business on a business basis, he is developing and increasing and extending his trade. Every business man wants to do more business. He wants to have two sailings a week, if he has had one, provided his trade requires it, and he is going to work in that direction provided he can do so with a reasonable profit, because the steamship business is like every other business; they are in the business to make money. If they try to make money beyond a certain point they invite competition, and I would like to state right here, that, taken as a positive rule, the rates for all

the regular lines are, in good times when the market is high, always below a market basis, they are very seldom advanced materially. They are advanced if the market requires it. You take the trans-Atlantic trade: Conditions there are somewhat different than what they are in the long-voyage trade, because we carry so much cargo that comes in competition with other agricultural countries, and where the cost of insurance and freight combined, will carry the goods. In the trans-Atlantic trade a regular liner of grain would be perfectly justified to get all he possibly could, all the market will stand in the way of the freight rates; but when it comes to general commodities the trans-Atlantic liner as well as the long-voyage man never puts his freights anywhere near high rates that are current in the open-charter market.

On the other hand comes the situation where the market goes down. The general charter market has been below a paying basis for many years, so low that a good many of the tramp owners have come near to a position of bankruptcy. Now, the regular liner, when the trade is in that condition, does not come down to that bottom low rate which the market establishes. He can not do it. He has got too expensive a tool to work with. It would mean ruin to him and would mean an entire stoppage of the service. Now, we have known in bad times that ships have gone away with half cargoes in the trans-Atlantic trade, and that ships have taken grain in many instances for ballast purposes—in many instances where there is not a hundred-dollar bill or four or five hundred tons of grain—but they have done it to ballast their ships and put them into trim. They have gone away with empty space over and over again. That condition, of course, if everything goes down, there is nothing to make, and they can not exist very long; and therefore the regular liner has a steadier, more even business. His freights, as I stated before, never go to the extreme height that the market generally would show. They never go to the extreme low level that we have seen at different periods in the general market.

Mr. HARDY. It is to your interest to prevent competition, is it not?

Mr. GOTTHEIL. It is to our interest to have no competition.

Mr. HARDY. That being to your interest, is it not likely that when competition menaces, you will adopt the means necessary to put competition out?

Mr. GOTTHEIL. Yes.

The CHAIRMAN. Mr. Gottheil, have the lines you represent any agreements or understandings with the railways?

Mr. GOTTHEIL. We have. I am asked to appear here on behalf of the United States Shipping Co., in which we are interested as shareholders, and I have asked the officers of the United States Shipping Co. to supply me with the information that this committee requires; and I have here copies of three agreements made by the United States Shipping Co. on behalf of the Hamburg-American Line, another on behalf of the Donaldson Line, of Glasgow, and another on behalf of the Holland-American Line for Rotterdam with the Chesapeake & Ohio and the Norfolk & Western and the Southern Railway Cos. I understand these agreements have been duly filed with the Interstate Commerce Commission.

GOTTHEIL EXHIBIT 43.

An agreement, dated the 1st day of July, 1908, between the United States Shipping Co., on behalf of the Hamburg-American Line, hereinafter called the Steamship Co., of the one part, and the Chesapeake & Ohio Railway Co., the Norfolk & Western Railway Co., and the Southern Railway Co., in the United States of America, hereinafter called the railways, of the other part.

Whereas the parties hereunto have agreed to enter into this agreement, now these presents witness, and it is hereby agreed and declared, as follows:

(1) The Steamship Co. shall, either with their own or other steamers, stanch, tight, and strong, rated at 100 A1 at British Lloyds, or equivalent thereto, and suitable in every respect for the traffic, establish and maintain for a period of five years from the 1st day of October, 1908 (hereinafter referred to as the period of working), subject as hereinafter mentioned, regular sailings from Newport News and for Norfolk, in the United States of America, to Hamburg, Germany, and vice versa, in such manner that there will be ample, regular, and reasonably sufficient service between said ports for the purpose of carrying all suitable goods, wares, and merchandise exported from the United States or imported into the United States via the ports of Newport News and for Norfolk over the systems of the railways.

(2) The railways will, as long as regular, satisfactory, and efficient service is furnished as aforesaid by the Steamship Co., guarantee that all goods, wares, and merchandise of every description passing over their systems to Newport News and for Norfolk for export to Hamburg shall be shipped at Newport News and/or Norfolk aforesaid in steamers to be provided by the Steamship Co. as aforesaid, in so far as it is in the power of the railways to control the same.

(3) As regards all goods, wares, and merchandise exported from Newport News and for Norfolk as aforesaid, the rates of freight to be paid the Steamship Co. shall be the same as the accepted rates from Baltimore at the time at which the freight routed through Newport News and for Norfolk is engaged, but the rates on grain, cattle, and cotton to be agreed upon mutually from time to time without regard to the rates ruling from Baltimore.

It is agreed that the rates from Newport News and Norfolk shall at all times be on a parity with the rates made by the Steamship Co. by its more northern services, irrespective of the rate from Baltimore, but with due regard to the class of cargo required by the steamers. It is also furthermore agreed that cargo contracted for by the Steamship Co. shall be routed as far as the Steamship Co. can control it through the ports of Newport News and Norfolk in fair proportion to the Steamship Co.'s other service.

Lumber and cotton emanating from local stations on the railways may command a higher ocean rate, but the combined inland and ocean rate shall not exceed the through rate via Baltimore.

In the case of grain, cattle, cotton, lumber and other cargo peculiar to the South, the Steamship Co. in making rates from Newport News and for Norfolk will have every possible regard for the competition prevailing through north and south Atlantic and Virginia ports, it being distinctly understood and agreed that all freight engagements made by the railways will be reported to and are subject to confirmation of the Steamship Co.

It is furthermore agreed that the Steamship Co. will take a reasonable quantity of grain when obtainable by each steamer other than extra steamers put on for a full cargo of special freight.

As regards all goods, wares, and merchandise imported into Newport News and for Norfolk and covered by through rates to any point in the United States of America, the rates of inland freight shall be no higher than the Baltimore inland all-rail rates of freight for the time being current and accepted by the railway lines from Baltimore in respect of similar classes of goods, wares, and merchandise.

The Steamship Co. agrees that as regards all goods, wares, and merchandise imported into Newport News and for Norfolk, the ocean rates of freight shall be no higher than the rates at the time being current and accepted by the Steamship Co.'s lines running from Hamburg to either Philadelphia or Baltimore for similar classes of goods, wares, and merchandise for same territories of destination.

(4) The railways and the Steamship Co. will use their best efforts to extend, promote, and improve the export and import traffic through Newport News and for Norfolk.

(5) The railways will, during the continuance of the period of working, at all times afford the Steamship Co. at Newport News and for Norfolk every reasonable accommodation and facility in their power for the reception, conveyance, and delivery of all traffic from the Steamship Co. to the railways, and will convey such traffic on the railways' systems in a proper, safe, and convenient manner so as to fully develop the traffic of the Steamship Co., and from time to time will run proper and sufficient trains thereon in convenient connection with said line of steamships, and will from time to time (free of charge) solicit freight traffic for the Steamship Co., and duly perform their duties in that behalf in the United States of America.

(6) The Steamship Co. will convey all traffic on the Steamship Co.'s ships in a proper, safe, and convenient manner, upon the terms and subject to the exceptions and conditions of the ocean bill of lading from time to time in use by the Steamship Co., and will guarantee that no higher than the Baltimore rates of insurance will be charged on such traffic, so as to fully develop the traffic on the railways, as well as the traffic of the Steamship Co.

(7) During the period of the continuance of this agreement:

(a) The railways shall deliver all traffic for the Steamship Co. on their wharves, or by barges alongside the steamships, and shall receive all traffic from said Steamship Co. upon said wharves or barges, the Steamship Co. delivering and receiving as usual on the wharves or barges.

(b) The railways agree to furnish the Steamship Co. at Newport News and/or Norfolk free berth room for their steamers operated under this agreement, and further agree to accord to the Steamship Co. free wharfage, both inside and outside, on all freight handled by the Steamship Co. under this agreement at the wharves of the railways when such wharfage would otherwise be borne by the Steamship Co.

(c) It is understood that on account of the steamers usually having import cargo they will proceed to Newport News first, there discharge and take on cargo, and when in readiness proceed from Newport News direct to Pinners Point to the terminals of the Southern Railway, the Norfolk & Western Railway to barge its cargo to the steamers. Any cargo arriving over the Chesapeake & Ohio Railway for a steamer after her departure from Newport News to be barged to the steamer at the port of Norfolk at the expense of the Chesapeake & Ohio Railway.

(d) The Steamship Co. to take charge of all the eastbound freight as soon as taken hold of by the vessels' tackle and to be then and there responsible to the railways for the inland freight and charges accrued. Where the delivery of freight is made by lighter, the Steamship Co. to take same from the lighter alongside the steamer. The handling of freight to be at the expense of the Steamship Co., but its responsibility as to freight and accrued charges thereon to begin only as soon as taken hold of by vessels' tackle. The Steamship Co. agrees to use its best endeavors to facilitate the quick dispatch of the lighters delivering freight alongside steamers. All inland freight and charges to be paid after sailing of the steamers upon rendering of the account, allowing the Steamship Co. one week thereafter for examination.

The railways to take charge of all the westbound freight as soon as delivered on their wharves and to be then and there responsible to the Steamship Co. for the ocean freight and charges accrued, and such ocean freight and charges accrued to be paid upon rendering of the account, allowing the railways one week thereafter for examination.

(e) Bills of lading issued to and from the various places in the United States of America shall contain only the usual clauses and with no unusual provisions which may deter or injure business.

(f) The railways shall make no charge to the Steamship Co. for American soliciting agents, and the Steamship Co. shall make no charge to the railways for compensation or other expenses of its agents in America or in Europe.

(8) The railways agree to pay any claims for overcharge, loss, or damage for which they may be legally liable. The Steamship Co. agrees to pay any claims for overcharge, loss, or damage for which it may be legally liable and to adjust any such claims as may be shown are customary for other steamship services in competition with it to adjust.

(9) Nothing herein contained, nor anything done by or on behalf of the said companies, or either of them, shall constitute or create, or be deemed to constitute or create, any partnership between the said companies.

(10) In case of any difference or dispute arising under this agreement, such difference or dispute to be submitted to arbitration at New York, each party to

select one arbitrator, and the two so chosen to select a third, the decision of two or more of such arbitrators to be final.

(11) The railways shall use their best efforts to secure the cooperation of the Seaboard Air Line Railway and the Atlantic Coast Line Railroad in delivering to the vessels of the Steamship Co. all the export freight they control via Norfolk destined to Hamburg and Baltic ports.

(12) Either party to this agreement has the privilege of canceling same at any time after 12 months from the date hereof by giving at least 6 months' advance notice to the other party in writing of its intention to cancel, but such notice not to be given prior to July 1, 1909. Any such notice can be given to the railways by being addressed to the Chesapeake & Ohio Railway Co., at its head office at Richmond, Va.; the Norfolk and Western Railway Co., at its head office at Roanoke, Va.; the Southern Railway Co., at its head office at Washington, D. C.; or such notice may be given by the railways by being addressed to The United States Shipping Co., at New York, N. Y., as representative of the Steamship Co., by registered letter.

(13) It is further agreed that a notice of cancellation as provided for by this agreement by any one of the railways does not abrogate the agreement as to the remaining parties.

(14) In case Germany should be involved in a war by which the German flag should not be neutral, and it is not possible to obtain substitute tonnage under a neutral flag, the service shall be suspended during the period of such hostilities.

In witness whereof the parties hereunto have set their hands and seals the day and year first above written.

THE UNITED STATES SHIPPING Co.,

By _____.

On behalf of the Hamburg-American Line.

THE CHESAPEAKE & OHIO RAILWAY Co.,

By _____.

NORFOLK & WESTERN RAILWAY Co.,

By _____.

SOUTHERN RAILWAY Co.,

By _____.

GOTTFRIED EXHIBIT 44.

An agreement, dated the 1st day of July, 1908, between The United States Shipping Co. on behalf of Messrs. Donaldson Bros. (Donaldson Line), hereinafter called the Steamship Co., of the one part, and the Chesapeake & Ohio Railway Co., the Norfolk & Western Railway Co., and the Southern Railway Co., in the United States of America, hereinafter called the railways, of the other part.

Whereas the parties hereunto have agreed to enter into this agreement, now these presents witness, and it is hereby agreed and declared, as follows:

(1) The Steamship Co. shall, either with their own or other steamers, staunch, tight, and strong, rated at 100 A1 at British Lloyds, or equivalent thereto, and suitable in every respect for the traffic, establish and maintain for a period of five years from the 1st day of October, 1908 (hereinafter referred to as the period of working), subject as hereinafter mentioned, regular sailings from Newport News and for Norfolk, in the United States of America, to Glasgow, Scotland, and vice versa, in such manner that there will be ample, regular, and reasonably sufficient service between the said ports for the purpose of carrying all suitable goods, wares, and merchandise exported from the United States or imported into the United States via the ports of Newport News and for Norfolk over the systems of the railways.

(2) The railways will, so long as regular, satisfactory, and efficient service is furnished as aforesaid by the Steamship Co., guarantee that all goods, wares, and merchandise of every description passing over their systems to Newport News and for Norfolk for export to Glasgow shall be shipped at Newport News and for Norfolk aforesaid in steamers to be provided by the Steamship Co as aforesaid in so far as it is in the power of the railways to control the same.

(3) As regards all goods, wares, and merchandise exported from Newport News and for Norfolk as aforesaid, the rates of freight to be paid the Steamship Co. shall be the same as the accepted rates from Baltimore at the time at

which the freight routed through Newport News and for Norfolk is engaged, but the rates on grain, cattle, and cotton to be agreed upon mutually from time to time without regard to the rates ruling from Baltimore.

It is agreed that the rates from Newport News and Norfolk shall at all times be on a parity with the rates made by the Steamship Co. by its more northern services, irrespective of the rate from Baltimore, but with due regard to the class of cargo required by the steamers. It is also furthermore agreed that cargo contracted for by the Steamship Co. shall be routed as far as the Steamship Co. can control it through the ports of Newport News and Norfolk in fair proportion to the Steamship Co.'s other services.

Lumber and cotton emanating from local stations on the railways may command a higher ocean rate, but the combined inland and ocean rate shall not exceed the through rate via Baltimore.

In the case of grain, cattle, cotton, lumber and other cargo peculiar to the South, the Steamship Co. in making rates from Newport News and for Norfolk will have every possible regard for the competition prevailing through the north and south Atlantic and Virginia ports, it being distinctly understood and agreed that all freight engagements made by the railways will be reported to and are subject to confirmation of the Steamship Co.

It is furthermore agreed that the Steamship Co. will take a reasonable quantity of grain when obtainable by each steamer other than extra steamers put on for a full cargo of special freight.

As regards all goods, wares, and merchandise imported into Newport News and for Norfolk and covered by through rates to any point in the United States of America, the rates of inland freight shall be no higher than the Baltimore inland all-rail rates of freight for the time being current and accepted by the railway lines from Baltimore in respect of similar classes of goods, wares, and merchandise.

The Steamship Co. agrees that as regards all goods, wares, and merchandise imported into Newport News and for Norfolk, the ocean rates of freight shall be no higher than the rates at the time being current and accepted by the Steamship Co.'s lines running from Glasgow to Baltimore for similar classes of goods, wares, and merchandise for same territories of destination.

(4) The railways and the Steamship Co. will use their best efforts to extend, promote, and improve the export and import traffic through Newport News and for Norfolk.

(5) The railways will, during the continuance of the period of working, at all times afford the Steamship Co. at Newport News and for Norfolk every reasonable accommodation and facility in their power for the reception, conveyance, and delivery of all traffic from the Steamship Co. to the railways, and will convey such traffic on the railway's systems in a proper, safe, and convenient manner so as to fully develop the traffic of the Steamship Co., and from time to time will run proper and sufficient trains thereon in convenient connection with said line of steamships, and will from time to time (free of charge) solicit freight traffic for the Steamship Co., and duly perform their duties in that behalf in the United States of America.

(6) The Steamship Co. will convey all traffic on the Steamship Co.'s ships in a proper, safe and convenient manner upon the terms and subject to the exceptions and conditions of the ocean bill of lading from time to time in use by the Steamship Co., and will guarantee that no higher than the Baltimore rates of insurance will be charged on such traffic, so as to fully develop the traffic of the railways, as well as the traffic of the Steamship Co.

(7) During the period of the continuance of this agreement.

(a) The railways shall deliver all traffic for the Steamship Co. on their wharves, or by barges, alongside the steamships, and shall receive all traffic from said Steamship Co. upon said wharves or barges, the Steamship Co. delivering and receiving as usual on the wharves or barges.

(b) The railways agree to furnish the Steamship Co. at Newport News and for Norfolk free berth room for their steamers operated under this agreement, and further agree to accord to the Steamship Co. free wharfage, both inside and outside, on all freight handled by the Steamship Co. under this agreement at the wharves of the railways when such wharfage would otherwise be borne by the Steamship Co.

(c) It is understood that at the port of Norfolk the steamers will take cargoes from the wharf of the railway having the largest amount of freight available, and that the cargo of the other railway or railways will be delivered to the steamer free of all expense to the Steamship Co., always provided that the steamers will go to the wharf of the railway, the nature of whose cargo

requires it to be loaded first. The steamer then to proceed to Newport News and complete the loading of Chesapeake & Ohio Railway cargo and cattle.

(d) The Steamship Co. to take charge of all the east-bound freight as soon as taken hold of by the vessels' tackle, and to be then and there responsible to the railways for the inland freight and charges accrued. Where the delivery of freight is made by lighter, the Steamship Co. to take same from the lighter alongside the steamer. The handling of freight to be at the expense of the Steamship Co., but its responsibility as to freight and accrued charges thereon to begin only as soon as taken hold of by vessels' tackle. The Steamship Co. agrees to use its best endeavors to facilitate the quick dispatch of the lighters delivering freight alongside steamers. All inland freight and charges to be paid after sailing of the steamers upon rendering of the account, allowing the Steamship Co. one week thereafter for examination.

The railways to take charge of all the west-bound freight as soon as delivered on their wharves, and to be then and there responsible to the Steamship Co. for the ocean freight and charges accrued, and such ocean freight and charges accrued to be paid upon rendering of the account, allowing the railways one week thereafter for examination.

(e) Bills of lading issued to and from the various places in the United States of America shall contain only the usual clauses, and with no unusual provisions which may deter or injure business.

(f) The railways shall make no charge to the Steamship Co. for American soliciting agents, and the Steamship Co. shall make no charge to the railways for compensation or other expenses of its agents in America or in Europe.

(8) The railways agree to pay any claims for overcharge, loss, or damage for which they may be legally liable. The Steamship Co. agrees to pay any claims for overcharge, loss, or damage for which it may be legally liable, and to adjust any such claims as may be shown are customary for other steamship services in competition with it to adjust.

(9) Nothing herein contained, or anything done by or on behalf of the said companies, or either of them, shall constitute or create, or be deemed to constitute or create, any partnership between the said companies.

(10) In case of any difference or dispute arising under this agreement, such difference or dispute to be submitted to arbitration at New York, each party to select one arbitrator, and the two so chosen to select a third, the decision of two or more of such arbitrators to be final.

(11) The railways shall use their best efforts to secure the cooperation of the Seaboard Air Line Railway and the Atlantic Coast Line Railroad in delivering to the vessels of the Steamship Co. all the export freight they control via Norfolk destined to Glasgow.

(12) Either party to this agreement has the privilege of canceling same at any time after 12 months from the date hereof by giving at least 6 months' advance notice to the other party in writing of its intention to cancel, but such notice not to be given prior to July 1, 1909. Any such notice can be given to the railways by being addressed to the Chesapeake & Ohio Railway Co., at its head office at Richmond, Va.; the Norfolk & Western Railway Co., at its head office at Roanoke, Va.; the Southern Railway Co., at its head office at Washington, D. C.; or such notice may be given by the railways by being addressed to The United States Shipping Co., at New York, N. Y., as representative of the Steamship Co., by registered letter.

(13) It is further agreed that a notice of cancellation, as provided for by this agreement, by any one of the railways does not abrogate the agreement as to the remaining parties.

(14) In case Great Britain should be involved in a war by which the British flag should not be neutral, and it is not possible to obtain substitute tonnage under a neutral flag, the service shall be suspended during the period of such hostilities.

In witness whereof, the parties hereunto have set their hands and seals the day and year first above written.

THE CHESAPEAKE & OHIO RAILWAY CO.,
By _____.

NORFOLK & WESTERN RAILWAY CO.,
By _____.

SOUTHERN RAILWAY CO.,
By _____.

By THE UNITED STATES SHIPPING CO.,
On behalf of Donaldson Bros.

GOTTHEIL. EXHIBIT 445.

An agreement, dated the 1st day of July, 1908, between the United States Shipping Co., on behalf of the Nederlandsch Amerikaansche Stoomvaart Maatschappij (Holland Amerika Lyn), hereinafter called the Steamship Co., of the one part, and the Chesapeake & Ohio Railway Co., the Norfolk & Western Railway Co., and the Southern Railway Co., in the United States of America, hereinafter called the railways, of the other part.

Whereas the parties hereunto have agreed to enter into this agreement, now these presents witness, and it is hereby agreed and declared as follows:

(1) The Steamship Co. shall, either with their own or other steamers, staunch, tight, and strong, rated at 100 A1 at British Lloyds, or equivalent thereto, and suitable in every respect for the traffic, establish and maintain for a period of five years from the 1st day of October, 1908 (hereinafter referred to as the period of working), subject as hereinafter mentioned, regular sailings from Newport News and for Norfolk, in the United States of America, to Amsterdam-Rotterdam, Holland, and vice versa, in such manner that there will be ample, regular, and reasonably sufficient service between said ports for the purpose of carrying all suitable goods, wares, and merchandise exported from the United States or imported into the United States via the ports of Newport News and for Norfolk over the systems of the railways.

(2) The railways will, so long as regular, satisfactory, and efficient service is furnished as aforesaid by the Steamship Co., guarantee that all goods, wares, and merchandise of every description passing over their systems to Newport News and for Norfolk for export to Amsterdam-Rotterdam shall be shipped at Newport News and for Norfolk aforesaid in steamers to be provided by the Steamship Co. as aforesaid in so far as it is in the power of the railways to control the same.

(3) As regards all goods, wares, and merchandise exported from Newport News and for Norfolk as aforesaid, the rates of freight to be paid the Steamship Co. shall be the same as the accepted rates from Baltimore at the time at which the freight routed through Newport News and for Norfolk is engaged, but the rates on grain, cattle, and cotton to be agreed upon mutually from time to time without regard to the rates ruling from Baltimore.

It is agreed that the rates from Newport News and Norfolk shall at all times be on a parity with the rates made by the Steamship Co. by its more northern services, irrespective of the rate from Baltimore, but with due regard to the class of cargo required by the steamers. It is also furthermore agreed that cargo contracted for by the Steamship Co. shall be routed as far as the Steamship Co. can control it through the ports of Newport News and Norfolk in fair proportion to the Steamship Co.'s other services.

Lumber and cotton emanating from local stations on the railways may command a higher ocean rate, but the combined inland and ocean rate shall not exceed the through rate via Baltimore.

In the case of grain, cattle, cotton, lumber, and other cargo peculiar to the South, the Steamboat Co. in making rates from Newport News and for Norfolk will have every possible regard for the competition prevailing through North and South Atlantic and Virginia ports, it being distinctly understood and agreed that all freight engagements made by the railways will be reported to and are subject to confirmation of the Steamship Co.

It is furthermore agreed that the Steamship Co. will take a reasonable quantity of grain when obtainable by each steamer other than extra steamers put on for a full cargo of special freight.

As regards all goods, wares, and merchandise imported into Newport News and for Norfolk and covered by through rates to any point in the United States of America, the rates of inland freight shall be no higher than the Baltimore inland all-rail rates of freight for the time being current and accepted by the railway lines from Baltimore in respect of similar classes of goods, wares, and merchandise.

The Steamship Co. agrees that as regards all goods, wares, and merchandise imported into Newport News and for Norfolk, the ocean rates of freight shall be no higher than the rates at the time being current and accepted by the Steamship Co.'s lines running from Amsterdam-Rotterdam to either Philadelphia or Baltimore for similar classes of goods, wares, and merchandise for same territories of destination.

(4) The railways and the Steamship Co. will use their best efforts to extend, promote, and improve the export and import traffic through Newport News and for Norfolk.

(5) The railways will, during the continuance of the period of working, at all times afford the Steamship Co. at Newport News and for Norfolk every reasonable accommodation and facility in their power for the reception, conveyance, and delivery of all traffic from the Steamship Co. to the railways, and will convey such traffic on the railways' systems in a proper, safe, and convenient manner so as to fully develop the traffic of the Steamship Co., and from time to time will run proper and sufficient trains thereon in convenient connection with said line of steamships, and will from time to time (free of charge) solicit freight traffic for the Steamship Co., and duly perform their duties in that behalf in the United States of America.

(6) The Steamship Co. will convey all traffic on the Steamship Co.'s ships in a proper, safe, and convenient manner, upon the terms and subject to the exceptions and conditions of the ocean bill of lading from time to time in use by the Steamship Co., and will guarantee that no higher than the Baltimore rates of insurance will be charged on such traffic, so as to fully develop the traffic of the railways, as well as the traffic of the Steamship Co.

(7) During the period of the continuance of this agreement:

(a) The railways shall deliver all traffic for the Steamship Co. on their wharves, or by barges, alongside the steamships, and shall receive all traffic from said Steamship Co. upon said wharves or barges, the Steamship Co. delivering and receiving as usual on the wharves or barges.

(b) The railways agree to furnish the Steamship Co. at Newport News and for Norfolk free berth room for their steamers operated under this agreement, and further agree to accord to the Steamship Co. free wharfage, both inside and outside, on all freight handled by the Steamship Co. under this agreement at the wharves of the railways when such wharfage would otherwise be borne by the Steamship Co.

(c) It is understood that on account of the steamers usually having import cargo, they will proceed to Newport News first, there discharge and take on cargo, and when in readiness proceed from Newport News direct to Lambert's Point to the terminals of the Norfolk & Western Railway, the Southern Railway to barge its cargo to the steamers. Any cargo arriving over the Chesapeake & Ohio Railway for a steamer after her departure from Newport News to be barged to the steamer at the port of Norfolk at the expense of the Chesapeake & Ohio Railway.

(d) The Steamship Co. to take charge of all the eastbound freight as soon as taken hold of by the vessels' tackle, and to be then and there responsible to the railways for the inland freight and charges accrued. Where the delivery of freight is made by lighter, the Steamship Co. to take same from the lighter alongside the steamer. The handling of freight to be at the expense of the Steamship Co., but its responsibility as to freight and accrued charges thereon to begin only as soon as taken hold of by vessels' tackle. The Steamship Co. agrees to use its best endeavors to facilitate the quick dispatch of the lighters delivering freight alongside steamers. All inland freight and charges to be paid after sailing of the steamers upon rendering of the account, allowing the Steamship Co. one week thereafter for examination.

The railways to take charge of all the westbound freight as soon as delivered on their wharves, and to be then and there responsible to the Steamship Co. for the ocean freight and charges accrued, and such ocean freight and charges accrued to be paid upon rendering of the account, allowing the railways one week thereafter for examination.

(e) Bills of lading issued to and from the various places in the United States of America shall contain only the usual clauses and with no unusual provisions which may deter or injure business.

(f) The railways shall make no charge to the Steamship Co. for American soliciting agents, and the Steamship Co. shall make no charge to the railways for compensation of other expenses of its agents in America or in Europe.

(8) The railways agree to pay any claims for overcharge, loss or damage for which they may be legally liable. The Steamship Co. agrees to pay any claims for overcharge, loss or damage for which it may be legally liable, and to adjust any such claims as may be shown are customary for other steamship services in competition with it to adjust.

(9) Nothing herein contained, or anything done by or on behalf of the said companies, or either of them, shall constitute or create, or be deemed to constitute or create, any partnership between the said companies.

(10) In case of any difference or dispute arising under this agreement, such difference or dispute to be submitted to arbitration at New York, each party to select one arbitrator, and the two so chosen to select a third, the decision of two or more of such arbitrators to be final.

(11) The railways shall use their best efforts to secure the cooperation of the Seaboard Air Line Railway and the Atlantic Coast Line Railroad in delivering to the vessels of the Steamship Co. all the export freight they control via Norfolk destined to Amsterdam-Rotterdam.

(12) Either party to this agreement has the privilege of canceling same at any time after 12 months from the date hereof, by giving at least 6 months advance notice to the other party in writing of its intention to cancel, but such notice not to be given prior to July 1, 1909. Any such notice can be given to the railways by being addressed to the Chesapeake & Ohio Railway Co., at its head office at Richmond, Va.; the Norfolk & Western Railway Co., at its head office at Roanoke, Va.; the Southern Railway Co., at its head office at Washington, D. C.; or such notice may be given by the railways by being addressed to The United States Shipping Co., at New York, N. Y., as representative of the Steamship Co.; by registered letter.

(13) It is further agreed that a notice of cancellation as provided for by this agreement by any one of the railways does not abrogate the agreement as to the remaining parties.

In witness whereof, the parties hereunto have set their hands and seals the day and year first above written.

THE UNITED STATES SHIPPING Co.,

By _____,

On behalf of the *Nederlandsch Amerikaansche Stoomvaart Maatschappij*
(Holland Amerika Lyn).

THE CHESAPEAKE & OHIO RAILWAY Co.,

By _____,

NORFOLK & WESTERN RAILWAY Co.,

By _____,

SOUTHERN RAILWAY Co.,

By _____.

The CHAIRMAN. Has the Hamburg-American Line agreements with other railroads than those mentioned; has it any agreements with any other railroads than those mentioned here?

Mr. GOTTHEIL. I can not tell. It is not within my province. You will have to ask the Hamburg-American Line representative for that, because my firm only acts for the New York freight service, and this service from Virginia.

The CHAIRMAN. Have you produced all the agreements with railroads on the part of lines for which you are the representative or agent in this country?

Mr. GOTTHEIL. My firm has other arrangements that were not asked for, but I am quite prepared to give the committee all the information that it desires, because above all we wish the committee to thoroughly understand the situation, to be as fully posted on what is being done for its information, and so that the committee will have the real facts before it, and I am therefore, although I have not been asked, I am quite prepared to give the additional information you ask for now. The firm of Funch, Edye Co. has had for the last 18 years an arrangement with the Louisville & Nashville Railway Co. for the transportation of its export traffic through the port of Pensacola, covering Liverpool, Bremen, Havre, and the Mediterranean ports. The service for Liverpool is furnished by a steamship company under the Spanish flag, operating from Liverpool to Cuban ports, and returning by way of Pensacola, and is known as the Serra Line. The service from Pensacola to the Mediterranean ports is furnished by the Austria-Americana Steamship Co. The Havre and

Bremen service is a sporadic one, entirely governed by the movement of cotton, active during the season, and nonactive when there is no cotton moving. It is partly covered by one of the ships that the railway company owns and partly covered by such ships as we charter.

The CHAIRMAN. Have you agreements with any other railroads?

Mr. GOTTHEIL. We have another agreement, which has quite recently been made with the Aransas Channel & Dock Co. for the opening up and development of Port Aransas in Texas, which is a similar agreement to provide tonnage for such traffic as they may have moving. It is a new undertaking. It is a development that is just beginning, and they will, we hope, largely contribute to the movement of cotton from the southern part of Texas, especially during the early part of the season, because it is early cotton, and it is only on all fours with what has been done and is being done to-day when a new port or a new service is opened. Every sacrifice has got to be made in order to attract cargo to the port, and to persuade the shippers as well as consignees to favor the port. That is a condition which I may say has existed with every one of the United States ports, and that is a condition that has gradually developed the large steamship lines, now operating from the different ports, especially in New York, and a trade has been built up from a small beginning, small ships. Forty years ago the Hull-American Line started with two ships to the Meuse River, Rotterdam, which carried 1,200 tons of cargo. It was a most difficult task to fill a steamer of that size. After running awhile they added two more ships that carried 1,800 tons, and we were pretty much at our wits' ends to know how to fill those ships. Of course they were larger and two sailings a month as against one. When those ships came along we found it very soon developed the trade, it attracted business, and we found it was easier to fill those two ships than it had been to fill the one ship. To-day the Hull-American Line has a fine and efficient service, as good as any, composed of combined passenger and freight boats, as fine as you can find in the world, and where the ships carried 1,200 tons 40 years ago, the ships to-day carry 12,000 tons; and where they had monthly service 40 years ago, there is to-day a weekly service of these ships; and that is a condition, gentlemen, that you can dwell upon and explain at every port and every service, it will carry us entirely too far, and I have no desire to take up your time, but, of course, these steamship companies have made heavy sacrifices; they have suffered great losses.

The Hull-American Line at one time had to write off half its capital; it was sunk, gone, and so a great many other steamship companies have been obliged to lose a large amount of money in developing the business in which they had entered, and it is not therefore unreasonable for them to feel, that having done what they have done to create a trade, that they should be protected and that they should protect themselves.

Mr. HARDY. Have you any agreements or any understandings, say, with the Pennsylvania, the New York Central, or those roads going into New York?

Mr. GOTTHEIL. Railroad agreements are never made in New York.

Mr. HARDY. I do not care where they are made.

Mr. GOTTHEIL. I mean that New York is an open port; it is different from all other ports. It is because we have so many railroads there is no necessity for any railroad agreements; in fact, we would rather be free, open to take cargo from every railroad than to have an agreement. When you come to other ports where they own the docks and where you are obliged to go to their terminal and load cargo at a terminal of the railroad, the condition is somewhat different.

The CHAIRMAN. New York, you say, you call an open port, and the docking facilities are under the control of the city?

Mr. GOTTHEIL. Yes; or under the control of private owners.

The CHAIRMAN. Not under the control of the railroads?

Mr. GOTTHEIL. No, sir; no steamer ever goes to a railroad pier to load miscellaneous cargo. The only time, I think, that a steamer will go to a railroad pier is when she loads a full cargo of grain and goes to the grain elevator and loads it at the railroad terminal.

Mr. HARDY. Is that the case in Philadelphia, too?

Mr. GOTTHEIL. The condition in Philadelphia is different. Two railroads there, one is the Pennsylvania and the other is the Philadelphia & Reading, and the Pennsylvania Railroad has certain lines coming to its terminal and the Reading has other lines coming to its terminal, and they interchange; they go to the terminals.

Mr. HARDY. As a matter of fact, do not the Reading and the Pennsylvania own boats themselves that are engaged in this shipping?

Mr. GOTTHEIL. The Pennsylvania Railroad in the olden times, I believe, had a very large share, rather a very large financial interest in the International Navigation Co., which operated the Red Star Line and afterwards the American Line, but I believe they have no interest to-day. The Philadelphia & Reading has no interest at all, to the best of my knowledge.

Mr. HARDY. I do not know about foreign trade, but they own a great deal of coaling boats and such things as that.

Mr. GOTTHEIL. In the coastwise trade it is different, I believe.

Mr. HARDY. That is another story. I will not go into that now.

The CHAIRMAN. You take it in Philadelphia. I remember going up the water front there for a number of miles, and it looked to me like the Pennsylvania and Reading companies have monopolized the entire water front except one pier, which is owned and controlled by the city; and yet they complain that they can not develop their shipping interests, and I wondered if they were blind enough to not know why.

Mr. GOTTHEIL. I think that is correct, so far as the piers are concerned. I believe the piers in Philadelphia are very largely controlled by these two railroads, and there was a period when, I think, cargo, so far as the Pennsylvania was concerned, was not brought to Philadelphia. The Reading, I think, took the position of forcing what they could into the port of Philadelphia, because that was their terminal, unless they worked over the Lehigh Valley Railroad into New York. And, again, that did not suit the Reading; they wanted their own road developed, and by increasing the traffic from the Reading terminals, having different lines running from the Reading terminals to European ports, it more or less forced the hand of the Pennsylvania, and the Pennsylvania took a different position.

The situation at present, I am free to say, is that all along the coast here the railroads do what they can to develop the port to which they are running. I think that the railroads have forced more than one steamship company to give them a service, although, perhaps, the conditions did not really warrant it.

I know that the Boston roads have forced the steamship companies to go into Boston and take rates that they can get at New York just as well, because under the filing with the Interstate Commerce Commission, east bound, there is not any difference between Boston and New York, and of course a steamship company would have no interest to go into Boston when they could get the same rates from New York. Of course, there is a differential between Philadelphia and Baltimore as against Boston and New York, and that brings us again to the disturbance we had here lately between those railroads where, under certain decisions or opinions given by the Interstate Commerce Commission, the differentials were to be adjusted. I feel this way: That each of those ports is entitled to a certain share of the business that is moving. If New York attempted to materially increase its traffic, it would have a great many difficulties to handle it—speaking entirely now so far as Atlantic business is concerned—and I think certain classes of cargo can move more readily through the other ports.

The CHAIRMAN. I believe that is all this afternoon, Mr. Gottheil.

Mr. GOTTHEIL. I should like just a minute. It will not take me more than a minute. I have here before me, gentlemen, the "Report of the Royal Commission on Shipping Rings," which was presented to both Houses of Parliament in connection with a very similar question to that which is now being investigated by this committee.

Mr. HARDY. What is the date of that?

Mr. GOTTHEIL. It was in 1909. I should like to state that the advantages secured by a conference system are given in this report to be:

- (A) Regularity and high class of service.
- (B) Stability of rates.
- (C) Maintenance of equal rates from the United Kingdom and the Continent.
- (D) Economy in a more economical distribution of cost of service.
- (E) Uniform rates to all merchants, and
- (F) No carriage of ship's account, which means no cargoes to be carried on ship's account.

This report, gentlemen, deals very minutely with the whole question, and especially deals with the question of deferred-rebate system.

The CHAIRMAN. I will say to you this: That months ago we went through that. We have it.

Mr. GOTTHEIL. If you will pardon me, I will say it expresses so thoroughly my views on the question of the conference and on the question of the rebate system that I should like very much to have pages 38 to 50 embodied in the record as part of my testimony before your committee.

The CHAIRMAN. Is there any objection?

Mr. HARDY. I have no objection. That is the substance of their findings in favor of conference, is it not?

Mr. GOTTHEIL. Yes.

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PART IV.

ADVANTAGES ATTRIBUTED TO THE SHIPPING CONFERENCE AND DEFERRED-REBATE SYSTEM.

111. It has been generally recognized by economists and writers on trade organization that the various forms of transport or locomotion should be classed among the trades where monopoly may secure very great advantages. Whether the service of carriage by sea is one in which the disadvantages of monopoly are outweighed by its advantages is the main question in issue in this inquiry. Monopolies or combinations are, so far as production is concerned, beneficial in proportion as they bring about the substitution of something which is more for something which is less valuable, or enable more of a particular thing or service to be produced or provided at a decreased cost. It will therefore be material to consider how far the system of shipping conferences and deferred rebates conforms to these tests.

112. The chief advantages claimed by its advocates for the system may be classified as follows:

(1) Improvements in service by—

(a) The institution and maintenance of regular sailings and stable rates of freight.

(b) The provision of steamers of high class and speed.

(2) Economy in cost of service.

(3) More economic distribution of cost of service.

(4) The maintenance of equal rates from the United Kingdom and the Continent.

(5) Uniform rates of freight to all shippers, large or small.

(6) No carriage on ship's account.

We shall accordingly in this part of our report consider in what sense these are real advantages, to what extent they are guaranteed by, and how far they are dependent upon, the system of shipping conferences and deferred rebates.

(1) IMPROVEMENTS IN SERVICE.

(a) The institution and maintenance of regular sailings and stable rates of freight.

113. It is claimed by the shipowners, and, indeed, generally admitted, that the provision of a regular service of steamships is of much importance to a merchant. His opportunities of shipping are increased, and their occurrence at regular intervals and on fixed dates removes the necessity of storing his goods. He has not to engage cargo space in advance, and if at the last moment he does not wish to or is unable to ship his goods he incurs no penalty and suffers no inconvenience. But these regular facilities are not only of importance for reasons of this nature. They have an economic value in increasing the volume of trade. This was well described by Sir James Mackay (of the British India Steam Navigation Co.), as follows: "If you keep on supplying goods to a country or to your customers with regularity you increase the consumption; if you supply these goods fitfully, and you do not supply the demand when the vacuum is there, then you never get it again in the same degree. Whereas if you have a regular service of ships going out and constantly taking out cargoes, in my opinion you are increasing the demand in India and increasing the consumption in the country." We concur in this opinion, and consider that the dispatch of steamers at regular dates advertised beforehand is not only a desirable but an essential requirement of the trade in general merchandise at the present day.

114. When to regularity of sailings is added stability of freights, the economic advantage is said to be still greater. Merchants are enabled to make forward contracts to deliver their goods not only by a certain date but also at a fixed price, including cost, freight, and insurance. All merchants shipping general

(Marginal references: J. Holt, 1686; Mackay, 19844.)

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merchandise agree, we believe, that regular sailings are of great advantage, though they differ to some extent as to the dependence of regular sailings upon the rebate system. They vary, however, in their opinions as to the

necessity of stable rates of freight. The great preponderance of evidence before us was to the effect that stable rates and regular sailings were essential to the conduct of trade at the present day. It may be mentioned that Mr. Langdon (president of the Manchester Chamber of Commerce), in speaking of the cotton-piece trade, drew an interesting distinction between the trade to the East and that to the West. He expressed the view that in the trade to the East stable rates of freight and regular sailings were absolutely essential for the reasons that orders are generally placed months ahead, and the trade is conducted in large quantities and for a small profit on a cash basis. In the western trade, on the other hand, where the bulk of the trade was done on the credit system and for large profits, he thought it was an open question whether merchants would not be better off under a free freight market. Mr. Zimmermann (of Messrs. L. Reiss, Bros. & Co., large shippers to China) agreed with this opinion so far as the eastern trade is concerned, and he stated that where there are so many factors, e. g., exchange, which introduce uncertainty into the trade, it is an advantage to have one factor, viz, freight, which is certain.

115. We are of opinion that stability in rates of freight is a very important factor in the development of regular trades. Moreover, it is evident that without such stability the publication of rate tariffs and classifications of goods, to which many of our witnesses attached great weight, could not be secured.

(b) The provision of steamers of high class and speed.

116. It is claimed as an advantage of the conference system that, by reason of the greater security which it provides, it enables shipowners to supply vessels of higher class and greater speed, specially adapted to meet the requirements of particular trades.

117. The advantages of shipping by vessels of high class and speed are obvious. The insurance premium on cargo is less, and the cargo is delivered in better order and with greater dispatch. It is equally an advantage that the steamers should be specially adapted to the requirements of the trade in which they are to be employed. The conditions of different trades are seldom the same. They vary in the draft of water at the ports of discharging. They vary also in the nature of the cargo which they yield and in the quantities and seasons in which that cargo is provided. In the Australian and Argentine trade, for example, a large part of the homeward cargo consists of perishable goods, such as meat, fruit, and butter, and for the safe carriage of these commodities vessels specially fitted with cool chambers and refrigerating plant are essential. Further, in the homeward trade from the Argentine, vessels specially constructed, of light draft, are required. The adaptation of steamers to suit the requirements of particular trades has the additional advantage that it relieves shippers of any anxiety as to the class or nature of the vessel by which they are going to ship, and enables them to count upon a uniform and stable rate of insurance in making forward contracts for the sale of their goods.

118. Clearly, then, the most economic carrying instrument for a particular trade is one which has been built specially to meet the requirements of that trade. At the same time, it must be pointed out that the extent of the advantage to be obtained from a service of steamers of high class and special qualities varies according to the nature of a merchant's business and the character of the goods which he ships. To many these advantages are essential. To others a service of a lower class of vessel would be equally advantageous, and the correspondingly lower rates would render such a service desirable.

(2) ECONOMY IN COST OF SERVICE.

119. It is contended by those who have expressed views adverse to shipping conferences that the monopoly obtained through the system of referred rebates may, in cases, enable them to charge rates which are higher than the cost of the service plus a reasonable addition for profit. Whether they have, in fact, done so we do not propose to consider here. It is, on the other hand, claimed by the shipowners that the working of the system by reducing the cost of service may, and does, eventually result in lower charges to the shipper.

(Marginal references: Langdon, 679, 687-688; Zimmermann, 13768; Zimmermann, 13856.)

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120. In Part II we have given an account of the various means adopted by the conferences to apportion traffic and regulate competition. These, by minimizing wasteful competition among the lines, must, to a considerable extent,

reduce the aggregate cost of the service supplied by the conference, and; unless the benefit of the reduction passes entirely into the pockets of the shipowners, may counteract the tendency toward increased rates, which a cessation of competition renders possible.

121. A second factor which may conduce to reduction in the cost of the service is the effect which the conference system has had upon building. We have already in paragraphs 116-118 noted the economic effect of improvements in the class of vessel supplied. Economies are effected also in the size of the vessel. A large vessel, provided that it can be filled, is a more economic vessel than a small one. The larger the vessel the smaller the ratio which working expenses bear to gross earnings. The tendency on this account to build ships of greater carrying capacity is, we are informed, evident in the case of the tramp as well as in that of the liner. But it appears to us that, in the case of ships which have to sail whether their cargo spaces are full or not, this tendency would, to some extent, be checked, if they were deprived of every means of securing merchants custom other than the excellence of their service. While, however, the tendency, which we have noted, to build steamers of large size and high class up to a point leads to economy in cost of service, it is to be observed that, in a system which leaves competition in facilities, as distinct from rates, largely unaffected, the result may be undue inflation either in the number, the size, or the value of the ships. To this subject we recur in paragraphs 177-185.

(3) More economic distribution of cost of service.

122. To appreciate the effect of the conference system in distributing cost of service over the various items of cargo carried it is necessary first to understand how the cost is borne in the open market. The rate provided for in the charter party of a tramp or sailing vessel is, speaking generally, one rate, based upon the fluctuating value of tonnage as determined by the laws of supply and demand.

123. Under the conference system the quasimonopoly obtained by combination and the system of deferred rebates lifts the rates to a large measure outside the sphere of competition. Rates are no longer assessed according to the value of tonnage as determined by supply and demand. A tariff or classification is drawn up, applying different rates to different articles, and these rates are maintained over long periods. In the making of this tariff an entirely different standard from that on which tramp rates are assessed is applied. The limit in the case of each commodity is "what the traffic will bear," for broadly regarded it is not to the interest of a shipowner to charge a rate which will result in the diminution of traffic.

124. But other considerations are taken into account. Where, as in the case of heavy lifts or dangerous goods, exceptional charges are incurred in stowage, and in loading and discharging, the element of cost of service is considered. Cost of service, however, so far as most goods are concerned, is difficult to estimate, and is therefore only taken into account in exceptional cases. It is, however, often taken into consideration in settling the relative rates to or from various ports served by the same line. Ports where the duties are low, or where there are exceptional facilities for discharging, and ports where coal is forthcoming, receive pro tanto lower rates than ports lacking such advantages.

125. Another factor of even greater importance is the value of the commodity. Where goods are divided into classes, these classes correspond roughly with the value of the goods, and where the rates are quoted separately for each commodity here again value seems to play an important part. This, it is claimed, has advantages. It enables the shipping companies to apportion the cost of their service over the various items of traffic in such a way as to make the most of the trade. If a rate bears hardly on one article it can be reduced and compensation obtained by an increase in another direction. It enables the shipping companies to look at the trade not only as it is, but as it may become. Thus, Mr. Alcock, of the Pacific Steam Navigation Co., stated with regard to the trade to the West coast of South America that "at the present moment

(Marginal references: Bibby, 21048; Cook, precis. par. 8 Lloyd, 16595; cf. Report of South African Subcommission, par. 16.)

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there are many ports called at which are simply being nursed, and although in many cases there is no homeward cargo from these ports, they are put on a reasonable footing in the matter of freights."

126. At the same time, the apportionment of the cost of service in this way may lead to hardships in particular cases. The rates on goods which are subject to competition by tramps or sailing vessels will naturally be fixed low, and this may lead to a higher rate being imposed on articles not subject to competition. Thus, in speaking of the low rate obtained for cotton piece goods by the combination of the cotton piece goods importers in Bombay, Sir James Mackay said, "It may be that this low rate of freight on piece goods from Liverpool to Bombay necessitates a higher rate on other goods." Similarly, to compensate themselves for the low rates which governments, municipalities, and other shippers of "contract quantities" are able to demand, the shipowners may possibly charge higher rates on the goods of the general merchant. Again, as in the case of the tramp, rates are fixed with reference to the round voyage. A lack of freight or excessive competition in the homeward trade may therefore result in a higher rate being charged for goods outward. This relation of the outward and homeward cargo is especially evident in the South African trade, where the permanent lack of cargo homeward results in a corresponding inflation of the outward rates. Similarly, a commodity, which from its desirability as cargo may be able to command a very low rate in the open market may, when charged by the standard of value or of "what the traffic will bear," have to pay a very enhanced rate. An interesting example of this was given with regard to the rate on tin charged by the Straits Homeward Conference.

(4) The maintenance of equal rates from the United Kingdom and the Continent.

127. We have in paragraph 62 given some account of the agreements and understandings existing between the lines carrying from the United Kingdom and the Continent, under which the same rates are charged on similar articles. These agreements, we believe, exist either in the form of a written document or in that of an understanding in practically every long voyage trade from Europe, with the exception of that to New Zealand, which is entirely in the hands of British lines.

128. The only ground on which it could be contended that these agreements are not to the benefit of British trade was that taken by Mr. Maclay (a tramp shipowner), who contended that in an open freight market the rates from the United Kingdom, owing to the predominance of British shipping, could not but be lower than the rates charged from the Continent. On the other hand, it was frequently urged by the shipowners that but for the rebate system rates from the Continent would be lower than rates from the United Kingdom.

129. As to this, we fail to see on what grounds Mr. Maclay's contention can be supported. If the phrase "open market" has any meaning, it is that the tonnage in it operates according to the laws of supply and demand and without regard to national boundaries. We fail, therefore, to see in the predominance of British shipping any reason for supposing that the rates would in an open market be lower in this country than in, say, France or Holland or any other European country equally favorably situated for the markets oversea. On the contrary, it appears to us that, if and in so far as under an open market shipowners were tied to national ports, the subsidies which are granted to national shipping by many foreign Governments would enable them to carry goods at lower rates than British shipowners. We are further of opinion that the agreements for maintaining rates of freight at an equal level from the Continent and United Kingdom have had a salutary effect upon trade in averting rate wars. We do not found this opinion upon any contention that the rates in an open market would be higher from this country than from the Continent, but solely upon the ground that rate wars are detrimental to trade generally. The agreements, so far as we are able to judge, have been loyally observed, and, except in cases where they have been temporarily interrupted by disputes within the conference or by incursions from without, they have had a permanent and real effect in maintaining equality of rates.

(Marginal references: Alcock, *precis*, par. 12, 20838; Bibby, 21032; Blake, 10657-8; Mackay, 19689; Soper, 196-7; Dyer, 1814; R. H. Price (S. A.), 1003; Mackay, 19585; McArthur, *precis*, par. 14, 12535-6, 12433, 12480-1, 12425; R. D. Hoff, 17145; Maclay, 8488-9; Cook, 19102.)

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130. We are further of opinion that the existence of organized conferences of regular lines on both sides of the channel, interested in developing the export trade of their own countries, is in itself a factor tending to prevent the rates

from either side from being maintained at an unduly high level, or at a level which hinders the development of British trade.

131. It will be convenient to deal here with two cases in which it is alleged that distinct preferences of a prominent character have been accorded to continental shippers:

(1) The trade to New Zealand which, both from the Continent and from the United Kingdom, is in the hands of British lines.

(2) The through rates from inland towns in Germany granted by the German State railways in concert with certain German steamship companies.

(i) *Trade with New Zealand*.—It is understood that there are no lines, either British or foreign, carrying direct from the Continent to New Zealand. Continental goods are sent to New Zealand via London, where they are transhipped into the direct steamers of the conference.

Mr. Wright, the secretary to the Birmingham Chamber of Commerce, gave several instances, ranging from 1903 to 1906, of cases in which the through rate from the Continent via London was lower than the local rate charged on British goods. He informed us that in 1903 the question of these differential rates was brought to the notice of some of the shipping companies by the Birmingham Chamber of Commerce, and the Tyser Lines stated that "their object in fixing lower rates from continental ports was to take it out of the power of continental steamship companies to run a service from the Continent direct to New Zealand, and this could only be done by competing with the Germans, which they were doing at considerable cost to the New Zealand steamship lines."

Mr. Blyth, of the Walsall Chamber of Commerce, gave similar instances of differential rates, existing in 1906 and 1907, on printing machinery, sail cloth, canvas, and collar checks. The Invercargill Chamber of Commerce also quote similar differentiations in the rates on enamel ware and nails.

"We regret that, owing to the refusal of the New Zealand conference lines to depute a representative to give evidence before us, we were unable to examine them in regard to these differential rates.

(ii) *Through rates from inland towns in Germany*.—These through rates have been referred to by several witnesses as an instance of the failure of British conference lines to obtain equality of treatment for British shippers. And though, as will be seen from the following statement in regard to this point, an inquiry into the subject generally does not come within our terms of reference, it seems advisable that we should give some account of the relation of these through rates to the agreements as to rates to which we have already referred.

Through rates are arranged by the German State railways with certain German steamship companies, and they include carriage by rail from the inland town to the port and carriage to the foreign port of destination by the steamer. The trades in which these through rates are granted and the lines by which they are available are as follows:

(1) The trade from Hamburg to the Levant by the German Levant Line.

(2) The trade from Bremen to the Levant by the Bremen Levant Line.

(3) The trade from Hamburg to ports in East and South Africa by the German East African Line.

The specific ports in these trades to which goods can be carried on through rates are given in Sir W. Ward's report in Appendix, Part III. It may, however, be stated here that the ports of Cape Colony are not included, and that, so far as the area served by the south African conference is concerned, the only ports to which the arrangement applies are Durban, Delagoa Bay, and Beira.

The arrangement for the apportionment of the through rate between the shipping companies and the State railways is kept secret, and we are, therefore, unable to say whether the freight received by the shipping companies is equivalent to the freight received for port to port carriage on goods not shipped on through rates, which in the case of the south African trade is by agreement

(Marginal references: Wright, *precis*, par. 2-6; Blyth, *precis*, par. 3-5; App., Part III, p. 216.)

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the same as the freight charged by the British lines. It was urged by certain witnesses that the amount received by the German line out of the through rate was less than the ordinary port to port rate, but little evidence could be adduced in support of this other than the supposition that, as goods are carried by weight on the railways, the through rate must be arranged entirely on

a weight basis, and that, if the share received by the shipping companies consists of the port to port rate, based according to weight, this must in most cases result in their carrying a larger amount per freight ton than the British lines.

Any suppositions as to the relation of the share of the through rate received by the German lines to the port-to-port rate charged on goods not carried on through rates can only be speculative. The relation is not even known to the British lines. What is clear is that the through rate is considerably lower than the rate formed by the addition of the tariff railway rate to the ordinary port-to-port rate. Such rates constitute, therefore, a direct subsidy to the export trade of German manufacturers and an indirect subsidy to those German lines by which alone they are available. And, as they are only rendered possible by the action of the German Government, it appears to us that the British lines can in no way be held responsible for the preference which these rates accord to German goods. The British lines are, in fact, themselves injured by the indirect subsidy which the arrangement accords to certain German shipping companies. We may, however, add that, according to Mr. Byron, so far as the British shipowners are able to gather, the quantity of cargo that is shipped to South Africa on these through bills of lading forms a very small proportion of the shipments from Germany.

(5) UNIFORM RATES OF FREIGHT TO ALL MERCHANTS, LARGE OR SMALL.

132. It is claimed that under the conference system shipowners are enabled, except as regards what are known as "contract quantities," referred to in paragraph 63 (p. 26 ad fin.) to charge the same rates to all shippers alike, whether large or small. In other words, it is claimed that the system enables them to protect the "small man" from his more wealthy competitor, and the great majority of merchants appear to regard this as of the highest importance. The late Mr. Soper, in fact, speaking on behalf of the South African Merchants' Committee, apparently looked upon uniformity of rates as the most important advantage which the system could confer.

133. That the system has the effect of protecting the "small man" is, we think, beyond doubt. To the large shipper, on the other hand, whose consignments are on such a scale that in an open freight market he could obtain a preference over his smaller competitors, uniformity is probably of no advantage; and the preponderance of evidence in favor of such uniformity is probably due to the fact that, while such of the larger merchants as approve of the whole conference system acquiesce in uniformity of rates as an integral part of that system, the majority of shippers come within the category of "small men," to whom uniformity is an undoubted advantage.

134. But the economic advantage of uniformity of rates is to be tested, we think, not by its effect on this or that section of the mercantile community, but by its effect on the general course of trade. The important consideration is whether a system of uniform rates results in increasing the volume of exports and reducing the cost to the consumer, as compared with a system of open competition under which the powerful shippers, or combinations of them could obtain preferential rates.

135. In favor of a system under which preferential rates would be allowed it has been argued that, as business can be done at less cost on a large scale than it can on a small scale, the consumer and producer should not be deprived of the reduction in cost which would ensue, if those operating on a large scale were allowed preferential terms. We are, however, of opinion that this argument is fallacious for the following reasons:

(1) The system of uniform rates does not apply to "contract quantities" nor to goods shipped in bulk.

(2) At the present day, when goods are dispatched in small quantities at a time, the service performed by the shipowner is the same and costs the same for the same character of shipment, whatever the scale of business of the shipper for whom it is performed. It follows, therefore, that if preferential rates are

(Marginal references: Currie, precis, par. 4; Lloyd, 16043; Byron, 15256; Soper, precis, par. 12, 125-6, 385-6.)

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given to the large shipper, the shipowner must recoup himself by charging smaller shippers rates proportionately higher than those which would be warranted by the cost of the service.

(3) We see no reason for supposing that, if preferential rates were granted to a privileged section of merchants, the benefit of those rates would reach the producer or consumer.

136. And not only are we for the above reasons of opinion that the system of uniform rates is not to the disadvantage of the public, but we consider that the system is on economic grounds and on grounds of public policy preferable to a system of preferential rates, since, by preventing large firms from obtaining too much power, it promotes competition in a sphere where competition is valuable, and ensures the benefits of such competition reaching the consumer.

(6) NO CARRIAGE ON SHIP'S ACCOUNT.

137. It is contended that one of the advantages of the conference system is that shipowners abstain from carrying cargo on their own account in competition with merchants. They admittedly make, however, an exception with regard to coal, which they claim the right to carry, either for the use of their own steamers or for sale abroad.

138. As regards this feature of the system it may be doubted whether in the long run it results in a diminution of cost to the consumer. Instances have, in fact, been brought to our notice in which shipping companies, by carrying at low rates on their own account such goods as cement, have considerably lowered the delivered cost of these articles. It is, however, regarded by merchants as of the greatest importance that shipowners should abstain from carrying on their own account. For, if the shipping companies competed with the merchants in the sale of general merchandise, they would start with a great advantage, as regards certain commodities at any rate, in being able to quote to themselves lower rates of freight.

HOW FAR THESE ADVANTAGES ARE SECURED BY THE CONFERENCE SYSTEM.

139. In certain exceptional cases conferences have made contracts with shippers, under which regular sailings, high-class vessels, and a fixed rate of freight are secured, and instances of contracts of this kind have already been given in paragraph 63. These contracts are, however, strictly speaking, separate from, and independent of the rebate system.

140. So far as the general system of shipping conferences and deferred rebates is concerned, shipping conferences are under no legal obligation to supply any of the advantages enumerated above. The only obligation which they undertake in the rebate circular is to return a percentage of the freight, if certain conditions are observed. In the south African trade, it is true, an agreement, known as "the compact," exists between the South African Merchants' Committee and the conference lines, under which the latter recognize in writing their obligation to supply some of the advantages which we have enumerated. But this recognition is tempered by many qualifications and exceptions, and it certainly places the conference under no legal obligation.

141. It is important, therefore, to consider what guaranty shippers have that the advantages alleged to be given by the conference and deferred rebate system will in fact be given. We may deal with the question under the following handlings.

(a) REGULARITY AND HIGH CLASS OF SERVICE.

142. With regard to these advantages the answer is probably to be found in the consideration that no conference which failed to supply a regular service and high-class steamers could maintain its place. Though competition in rates between the members of the conference no longer exists, competition in facilities remains, and the line which supplies the greater facilities will secure the greatest amount of cargo. How far the advantage of regular sailings is discounted by their restriction to certain ports is a question which we reserve for discussion in a later part of our report. (See par. 262.)

(Marginal references: J. Holt, 5261; Zochonis, 1340.)

145. The security that the conferences will observe their agreements or understandings to charge the same rates as those from the Continent lies in the fact that the traffic from Europe is divided among the steamship lines largely, though not entirely, on national lines. The continental lines, that is to say, carry little

if any traffic from British ports, while the British lines, although their interest in traffic from the Continent is by no means inconsiderable, derive the main portion of their revenue from the carriage of British goods. If, therefore, they charge less they will be involved in a rate war with the continental lines, and if they charge more they will run the risk of causing a diminution in British traffic and a corresponding increase of traffic from the Continent.

(d) ECONOMY IN AND MORE ECONOMIC DISTRIBUTION OF COST OF SERVICE.

146. From what has been already said in paragraphs 119 to 126 on the subject of these advantages, it will be seen that such guaranties as there are are inherent in the nature of the conference system; but it is doubtful whether they can be called guaranties at all. The reduction in cost which is brought about by the restriction of wasteful competition, or by economies due to improvements in, or the larger size of, vessels, may or may not reach the shipper. This will depend largely upon the strength of the conference and the existence, or the possibility, of outside competition. The conference may, of course, voluntarily reduce or refrain from raising its rates because individual members have effected economies; but on the whole, if the danger of outside competition is slight, the benefit of such economies seems likely to accrue to the individual members who effect them. The advantage which we have described as a more economic distribution of cost of service is more certainly secured to the shipper, since it is to the interest of the shipowner to fix his rates or commodities in such a way as to increase the volume of trade.

(e) UNIFORM RATES TO ALL MERCHANTS.

147. The guaranty of uniform rates lies chiefly in the fact that the conference system is based on an agreement among the lines to charge the same rates of freight. Without some rule that the rates should be the same for all merchants alike such an agreement would be very difficult to work and conferences would be weak if the individual lines were at liberty to offer preferences at will. A further guaranty is to be found in the fact that it is not a rule in the interest of a conference to give special terms to the more powerful firms of shippers.

(Marginal reference: Sutherland 20530.)

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It may be mentioned here that in our opinion this is a course which they would have to pursue if the rebate system were abolished. It may, therefore, be said that the self-interest of the shipping companies combines with the nature of their alliance to secure the uniformity of rates.

(f) NO CARRIAGE ON SHIP'S ACCOUNT.

148. The abstention of shipowners from carrying goods on their own account is, we think, due to certain difficulties inherent in such competition. As it is difficult for the merchant to undertake the business of a shipowner, so also it is difficult for a shipowner to buy and sell general merchandise in competition with merchants. In the case of rough goods such as coal (and, in a less degree, cement), for which the demand is constant, and in the purchase of which shipping companies have already gained experience through their own business, these difficulties are not apparent; and in fact most shipping conferences claim the right to sell coal on their own account.

149. But the guaranty for the abstention of the shipping companies from carrying general merchandise on their own account is to be found not only in their lack of knowledge or experience of a merchant's business, which, after all, can be gained in time, but also in the nature of the combination or conference in which they are allied. Though competition in rates has been removed, some competition in facilities remains. And no single line in a conference could afford to incur the odium which would attach to it if it engaged actively in the business of shipping goods on its own account while its associates abstained from doing so. The guaranty afforded by the existence of competition within the conference does not, it is true, exist where, as in the case of the trade from this country to north Brazil and west Africa, the trade is in the hands of one company. In trades of this character, apart from the difficulty inherent in such business, the only factor operating to prevent a shipping company from

carrying goods on its own account, should it wish to do so, is the fear that an opposition line might be started.

150. To sum up, then, there is no security in the form of a legal contract that the advantages claimed for the conference system will be supplied. Such security as does exist is due mainly to the fact that it is only by supplying them that a service provided by a conference differs from a service of tramp steamers and sailing vessels. It is the fear of competition from without and the existence of competition within the conference which tend to insure the advantages claimed for the system. To what extent these causes have operated will be discussed in the next part of our report, when we come to treat of the disadvantages of, and the complaints made against, the system.

151. But while these are what may be called the economic guaranties for the provision of the benefits claimed for the conference system, the influence of custom in securing these benefits for shippers is not to be overlooked. In the course of time as shipping conferences have developed, such features as uniform and stable rates, regular sailings, and the abstention of shipowners from carrying on their own account, have come to be looked upon so much as part and parcel of the conference system that they have crystallized, as it were, into usages or customs of the trade, the observance of which is generally acknowledged by the shipping companies as a moral obligation, almost, as it were, independently of the interest which they have in observing them. And, as will be seen in that part of this report which deals with the complaints which have been made against the conference system, many of the grievances preferred have taken the form of allegations that these usages have not been observed.

HOW FAR THESE ADVANTAGES ARE DEPENDENT UPON THE SYSTEM OF SHIPPING CONFERENCES AND DEFERRED REBATES.

152. The main advantages claimed as resulting from the system of shipping conferences or combinations may be classified as follows:

(a) Advantages resulting from the provision of regular sailings at fixed dates conveniently determined in relation to each other, and the supply of ships of a fairly uniform character.

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(b) Advantages resulting from the means which they afford to shipowners to provide transport services under conditions of reasonable economy.

(c) Advantages resulting from the distribution of the cost of the service or the fixing of rates on—

(i) A stable basis.

(ii) A reasonable and intelligible basis.

(iii) A principle of uniform charge to all shippers alike.

The first question we propose to discuss is whether these advantages could be obtained by the forces of open unrestricted competition or whether they can only be secured by the system of shipping conferences. It is no doubt true that in particular cases, as e. g., in the Atlantic trade, one or more of them may be partially secured. But the question is whether in the carriage of goods by sea it would generally be possible to secure, without the agency of shipping conferences or combinations, an organized service where such service is required by the trade.

153. From our witnesses we were unable to elicit any very decisive opinion as to the extent to which such services would be secured. Some of the merchants who appeared in opposition to the system were wholly or chiefly concerned with the abuse or possible abuse of their monopoly power by the shipping conferences, while others expressed their belief that conferences were necessary, either with or without a rebate system. Some others, indeed, were of opinion that there were in existence certain checks on competition which gave the lines either such protection as was necessary from irregular competition or inducements adequate to secure the provision of the necessary service. Only in a few cases was the opinion expressed that a system of transport organized under combinations was in itself open to grave disadvantages quite independently of any misuse of power.

154. As regards (a), viz, the provision of organized and regular sailings, it was stated that mail subsidies and the exigencies of passenger services would assist in securing these. This is no doubt true. It is equally true that they would tend to be secured by a system of general subsidies, granted on condition that organized and regular sailings were provided and that stable and classified

rates were instituted. In both cases, however, the ordinary forces of competition operating in the carriage of goods are specifically controlled. So far as the mail subsidies and the passenger rates are concerned we consider that these operate very unequally in different cases and that in a great many trades they are of little effect. In our opinion they do not, except in very particular cases, offer the necessary inducement to those engaged in the regular conduct of the trade. Finally it is important to note that in their present form they would not secure the other features which have been described as incidents of a service.

155. As regards (b) the ways in which conferences may and in many cases do tend to bring about a reduction in cost, and particularly in the cost of regular services, have been described, and here it is only necessary to observe that economy in these respects is dependent upon the existence of the conference system. In our opinion the system leads either directly by definite agreement, or indirectly by reason of the relations it creates among the various lines, toward a reduction of cost. Against this, it is true, must be placed the risk of inflation owing to specialization in types of ships for particular trades and to their restriction to particular routes. But it must be remembered that lines are often members of different conferences; that in many cases tramps are employed by lines to act as liners when the trade on any particular route is active; and that the less expensive and specialized liners often operate outside conferences—that is, as tramps—when the state of trade in any particular conference is bad. Moreover, it might be argued in the abstract that the increased knowledge gained of the dimensions of a definite trade would tend to prevent overbuilding, while in fact it is certain that in the Atlantic trade, where there is no conference, there is just the same tendency to inflation.

156. One of our witnesses, Mr. Maclay, argued that the effect of the conferences upon tramps was in some cases to increase the cost at which they can carry goods by preventing them from obtaining charters at particular ports. According to this view such economy as is achieved in the regular services is concurrent with increase in the cost of carriage by tramps. The extent to which this is to

(Marginal reference: Maclay, precis, par. 23.)

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be regarded as a serious disadvantage depends upon the value attached to the regular service. In our view the regular service is of high value, and we are clearly of opinion that the saving in cost of the conference system and its other advantages far outweigh any objections that can be founded on the effect of the system upon the cost of carriage by tramps.

157. As regards (c) the fixing of rates on a stable basis and according to some system of classification is, in our opinion, dependent upon the existence of a conference system. So, too, we consider that without such a system it would not be possible to secure the offer of equal rates for all.

158. Assuming then that shipping conferences are necessary to the provision of the advantages above discussed, there remains the important question whether shipping conferences can effectively exist without some tie upon the shipper either in the form of the system of deferred rebates, or in some other form.

159. We shall in Part V of this report show that the power which combinations of shipping companies are enabled to obtain by means of the system of deferred rebates is abuse. If therefore the advantages, enumerated above, which are derived from the operations of shipping conferences at the present day are in no sense or only in an inconsiderable degree dependent upon the system of deferred rebates, it is clear that the main arguments in support of that system fall to the ground. If, on the other hand, these advantages are inseparable from the existence of an effective rebate system, the question still remains whether these advantages outweigh the disadvantages which may arise from the abuse of the system. The latter question may, however, be more properly considered in a later part of the report, when we have dealt with the complaints which have been made against the system.

160. The witnesses who have given evidence on behalf of the shipping conferences claim that without some guarantee of the custom of the shippers they would be unable to undertake to dispatch vessels at fixed dates without waiting until their holds were full, or to abstain from shipping cargo on their own account, and from entering into contracts with the more powerful shippers for preferential rates, or to maintain rates of freight at an equal level over long periods, or so to adjust their charges as to encourage trade. They assert

that it is necessary that they should have some tie upon the shipper, some guarantee of his custom; and, omitting for the moment the question whether the deferred rebate is the most satisfactory form of tie, let us consider how far this assertion is warranted.

161. Strong support for the contention of the shipowners is, we think, to be found in certain conditions of the shipping trade which are peculiar to that trade. In the first place, a ship is not like a railway train. In the case of the latter the number of coaches or trucks can be diminished or increased to suit the momentary exigencies of traffic. But a ship is a fixed unit, and, in the present day, a fixed unit with a large and increasing cargo capacity. And this increase in the size of vessels, which, owing to the economies in cost to which it leads, is desirable in itself, would not, we think, be effected in the case of the liner unless there were some guarantee that the increased space would be filled.

162. In the second place, unrestricted competition in the shipping trade differs in certain important respects from unrestricted competition in other forms of industry. Competition on the part of a manufacturer usually involves the outlay of considerable capital, and the construction of premises and works implies an intention of establishing a fresh and permanent source of production. The capital of a manufacturer, that is to say, is to some extent fixed and immovable. A ship, on the other hand, or indeed, though in a considerably less degree, a line of ships, is the most mobile form which invested capital can take. Little, if any, outlay is involved in taking ships off one route and placing them on another; nor is there under a system of open competition any obligation to continue running them on a particular route when trade on that route is depressed and rates run low. In other words, the competition thus introduced offers a means of transport quite different from the service offered by the regular lines into whose trade it has cut, and one which costs it less than their regular service costs the conference lines. Yet in the case of any particular sailing the difference is immaterial, so far, at least, as many shippers are concerned. Shippers would, naturally enough, like to have the organized service of the regular lines, together with the additional and competitive sailings of tramps, rather than

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regular lines without these. The effect of the tie which the shipowners demand is to compel a choice between the service of regular lines and the sailings otherwise offered.

163. In this consideration, we think, the answer to be found to the argument which has been advanced that, if the advantages above referred to are really to the benefit of trade, they will be supplied under the ordinary operations of the law of supply and demand. We are of opinion that if shipowners were forbidden to use any means to secure custom other than the excellence of their service, the maintenance of a service offering these advantages would become impracticable. Shippers, even while admitting that it would be to their advantage collectively to ship only by the conference lines, would individually ship by tramps whenever a suitable opportunity offered. Indeed, the competition of their fellows would compel them to do so. And the loss of revenue thus occasioned to the regular lines would render it necessary for them to choose between abandoning their services or conducting them in a very different way.

164. In expressing this opinion we do not lose sight of the fact (1) that regular sailings of high-class steamers were given before the introduction of the rebate system, nor of the fact (2) that these advantages have been since and are now given in trades where the system is not in operation. As regards (1) we would point out in the first place that, though the rebate system did not exist, the contract system did, and in the second place that, as shown in paragraphs 30-34, it was only with the development and extension of regular lines in response to the new demands of trade that the necessity of the rebate tie became apparent. As regards (2), it appears to us that those trades in which the advantages above mentioned have been or are now given without any such tie are cases in which either the conference has for some other reasons a monopoly of the trade, or cases in which the imposition of such a tie would for other reasons be impracticable and unnecessary. An instance of the former cases is the north Brazil trade, of which the Booth Line held the monopoly in an open freight market up to the introduction of the rebate system in 1895. Of the latter an example is the north Atlantic trade for reasons already explained in paragraph 57.

165. The export trade of the United States of America has been spoken of by some of our witnesses as an instance of a trade in which regular sailings and many of the other advantages of an organized service are given without any tie upon the shipper. This presentment of the case, however, is hardly accurate. In the first place the cargo service of the United States of America—we do not refer to those routes in which the passenger traffic dominates the service, as, e. g., in the trade to this country—though probably sufficiently organized for the peculiar needs of the trade of that country would be by no means adequate for the needs of the export trade of the United Kingdom. Secondly, such organization as exists is not given without any restrictions upon competition.

The bulk of the exports of the United States consists of raw materials and foodstuffs shipped in large quantities, for which an organized service is not required. The general merchandise is relatively small in amount and in the absence of the rebate system a service with some organization is obtained for it by means of the preferential contracts which the shipping companies have entered into with the large trusts and combinations of manufacturers. These contracts, by insuring the supply of considerable amounts of freight at fixed dates, render it possible for the shipping companies to supply fairly regular sailings and to some extent to maintain rates at a stable level. We would further observe that in several cases the shipping companies carrying from the United States have obtained the security of custom denied to them by United States law in the outward trade by imposing a rebate system upon inward freight. This has been done, e. g., in the trades to the United States from South Africa, the Far East, Calcutta, Madras, Ceylon, and in the trades with South America.

166. We are then of opinion that for the reasons stated above and with the qualification stated in the preceding paragraph, the shipowners are justified in their contention that in supplying the advantages required it is essential for them to have some tie upon the shippers.

167. The only tie brought to our notice in the evidence which in our opinion would at the present day be effective both in binding the shippers and insuring all the advantages of the conference system in the degree in

(Marginal reference: App. I.)

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which they are now given is the deferred rebate. In certain trades and with regard to certain commodities the support of shippers has been obtained by a system of contracts. The only advantage urged on behalf of this system, an advantage probably greater in theory than in practice, is that the contract is terminable at a certain date and the shipper is left free to make new arrangements without any such loss as is involved in the case of the rebate. On the other hand, it is open to certain objections. In the first place, to form an effective tie the contract must be for a long period. Secondly, as an alternative to the system of deferred rebates, the contract system does not appear to be uniformly applicable to all shippers in a large and general trade. In those trades in which it is used it is generally confined to one particular commodity, and in every case the shippers are comparatively few in number and well known. There is therefore no difficulty in finding them, and, when their support has been secured by contract, the shipowners have thereby obtained a guaranty of the bulk of the trade. In a large general trade, on the other hand, the shippers are many in number, and they vary from year to year and from month to month. A system of contracts therefore, in a trade of this character, would probably take the form of the system which existed before the introduction of the rebate system. The shipowners, that is to say, would make contracts at low rates of freight with the large merchants who were known to them, and the small and casual shipper would have to pay a higher rate. This is in fact the system which now exists in the export trade of the United States.

168. Moreover, we consider that the agreements under which equal rates are charged on traffic from the United Kingdom and Continent are, in a large degree, attributable to the rebate system, one great merit of which is that the tie which it imposes is an open one and bears on all merchants alike. Were the rebate system to be rendered illegal, it appears to us that the shipping companies would find it necessary to secure the custom of shippers by the adoption of preferential contracts on a large scale. And whether the abolition of

the rebate system in this country would lead to its breakdown on the Continent or not, it seems certain that the adoption of a system of preferential contracts in this country would necessarily involve, to a large extent at any rate, the adoption of a similar system on the Continent. In such a system, necessarily involving arrangements of a secret character, we are of opinion that the same security for the charging of similar rates could not exist. In certain cases, it is true, where shipments of a large quantity are forthcoming, contracts are made by shipping conferences making use of the rebate system, and, where the tie between the British and continental lines is a close one, the terms of these contracts have to be made known to the whole conference. But, if the contract system largely or entirely superseded the system of deferred rebates, we are of opinion that contracts would have to be made so generally and on such a large scale that such consultation would be impracticable.

169. Our opinion on the whole matter may be summarized as follows:

1. The advantages conferred by shipping conferences are substantially dependent upon the system of deferred rebates, or some system equally effective as a "tie" upon the shippers and equally uniform in its application.

2. If the rebate system were abolished, shipowners would endeavor to secure the custom of shippers by making contracts with them covering long periods.

3. The contract system would in large general trades lead to the making of preferential contracts with large at the expense of small shippers.

The CHAIRMAN. Assuming that is your opinion, you are not in favor of any regulation by law, are you?

Mr. GOTTHEIL. I have also given that question considerable thought, Mr. Chairman, and I will frankly confess to you that I deem it entirely impossible and impracticable. There is no way in which the rate of freight can be regulated, because it is not an interstate trade, but it is an international trade, and you have to consider so many points that will bear upon the making of the rate in the ocean transportation. If you come to the trans-Atlantic traffic where you are in daily, I may say hourly, competition with other grain producing countries, such as the River Plata, Australia, the Black Sea, Russia, etc., you have got to have a rate that will put you in competition with those markets, or you are out of it.

Mr. HARDY. Your idea is that this transportation system has the right, and probably it is best for them, to equalize distances, to do away with inequalities, to make the American merchant as close to South America as the European merchant is, and vice versa?

Mr. GOTTHEIL. Yes, sir.

Mr. HARDY. In other words, in a great many cases to do away with the laws of nature and the obstacles intervening by natural conditions and to equalize the things according to your plan of general distribution?

Mr. GOTTHEIL. Well, it is not my plan of general distribution?

Mr. HARDY. The plan of the systems of general distribution?

Mr. GOTTHEIL. Yes; always bearing in mind, of course, that every transportation company has to consider its customers and constituents.

Mr. HARDY. I think that is exactly on a parity with the reason of the railways that they should regulate distances between cities rather than that the geography should do it; fix the rate according to their own discretion; and your idea is that some such plan as that is the best?

Mr. GOTTHEIL. Yes; but in the railroads the position is different. The railroads have a franchise; they have a fixed rule on which they are operating; but here you have thousands and thousands of steamers that will go from one place to another, wherever they get

the best market. Supposing by Government regulation you put the rate of freight to Brazil on case oil up to 30 cents, and you say to the steamship company, "That is your rate of freight." The Standard Oil Co. knows the condition of the freight market; there is nobody posted better than they are; they know they can get a ship to carry that shipment at 25 cents. Where is your regulation going to come in? The ocean is free, open; the ocean is free for competition. You create competition the moment you go beyond a certain point, and what is more you take these steamship lines, you can not bind them down on an impossible proposition, because they can go anywhere; they are not tied like the railroad is in a certain direction. They have got the whole world before them, and as such they can go and do what they please.

Mr. HARDY. You do, however, realize this fact, that if you would raise your rates too high, such customers as the Standard Oil would get their own transportation and would not stand for it?

Mr. GOTTHEIL. They would charter in the open market and would not stand for it.

Mr. HARDY. And, as long as the seas are as they are, they can do that?

Mr. GOTTHEIL. Yes, sir; and any shipper can do it on volume.

Mr. HARDY. Any shipper that has the vast resources can do it?

Mr. GOTTHEIL. Yes.

Mr. HARDY. But the ordinary shipper can not do it, can he?

Mr. GOTTHEIL. No; but the moment you take away the large basis of certain commodities, and which you must have, you destroy the whole business, or you create a condition by which the balance of the cargo will have to pay such a high rate of freight that the business will become impossible.

Mr. HARDY. What is to prevent you from catering to Mr. Rockefeller or to the Standard Oil by giving them such rates as will cause them not to enter into competition, and make it all up on the smaller, helpless shippers who could not fight you?

Mr. GOTTHEIL. It is entirely against the interest of the steamship companies to build up big shippers. The more you cater to big shippers the worse you will be off, because by and by that big shipper will have so much business that he will not need you at all.

Mr. HARDY. But you are going to cater enough to keep him out of the business, if possible, and in order to do that, you will take a little from the fellow that can not resent to protect the fellow that can?

Mr. GOTTHEIL. You have heard the testimony here, that rates are made equally.

Mr. HARDY. Yes; but is not that just a little contrary to your interest? Is not it to your interest to give the Standard Oil, or any big shipper, to give them some advantage over the fellow that is helpless?

Mr. GOTTHEIL. The shipper of a large volume of business is in a position where he can, to a certain extent, dictate terms.

Mr. HARDY. As far as giving anybody else a similar contract on a similar amount of ships, that seems to be an equality, but, as a matter of fact, very few shippers could give you such contracts; is not that the case?

Mr. GOTTHEIL. As far as the case oil is concerned, yes.

Mr. HARDY. Well, as far as the farming implements or the Steel Trust is concerned also, is it not true?

Mr. GOTTHEIL. Of course, before the International Harvester Co. was planned there was a pretty equal division of the whole business, and there was not any question about giving one man a lower rate or a higher rate than the other man.

Mr. HARDY. But now the Harvester Co. can give you a contract that nobody else can give you, can they not?

Mr. GOTTHEIL. There are no shipments of agricultural implements, to my knowledge, outside of the Harvester Trust, excepting one concern in Canada, and they get always the same rate as the International Harvester Co. gets, although their shipments are not anywhere near as large as the shipments of the Harvester Trust; at least that is my experience.

Mr. HARDY. In times past, is it not your information that many of these vast accumulations have been made by obtaining special terms from transportation companies; that they have built up their strength by getting better terms than their competitors?

Mr. GOTTHEIL. That may have been done in times past; yes.

Mr. HARDY. Now, in effect, do not these larger concerns, like the International Harvester Co., get better terms, anyhow, now from the shipper?

Mr. GOTTHEIL. No, sir.

Mr. HARDY. You are ready to give the same contract to anybody else, I understand, but as I understand also, nobody else can give you that contract?

Mr. GOTTHEIL. I have just stated here and given you a concrete example.

Mr. HARDY. You have given one. Is there anybody else in the United States who can give you such a contract?

Mr. GOTTHEIL. I have no knowledge of anybody else shipping agricultural implements.

Mr. HARDY. They all ship through the Harvester Co., if they ship at all, do they not?

Mr. GOTTHEIL. Yes; the Harvester Co. do the business direct, I believe, with one exception, where on the River Plata trade a commission house seems to control the movement to that country, and where, of course, the commission house really has to take the position of the trust.

Mr. HARDY. I have no other questions.

Mr. GOTTHEIL. I should like to say furthermore, in answer to what has been stated here in regard to the position taken by the railways as to their right to go ahead and make rates, that the railways are in a different position, as their vehicle of carriage has no chartering value at all in the market, while, of course, the steamship companies have the competition of the owners of the world to consider, and there is a distinct market value established which has always got to be kept in mind; you can not go beyond it and you should not go below it.

The CHAIRMAN. As I understand, you think it would be impracticable and undesirable for the reasons you have mentioned for the various traffic agreements between the—that is the rates in the ocean-carrying trade, to be filed with the Interstate Commerce Commission or some other tribunal?

Mr. GOTTHEIL. Yes, sir; that is not possible.

The CHAIRMAN. What would you say about publicity; that is, that the agreements between these several lines in these several trades should be filed with some governmental tribunal and subject to reasonable supervision?

Mr. GOTTHEIL. Of course, Mr. Chairman, if you had not added the last clause, the reasonable supervision, which is rather a broad question—

The CHAIRMAN (interposing). Take the first part of that question, filed, we will say, with an Interstate Commerce Commission to give publicity?

Mr. GOTTHEIL. Yes; and in doing so enters the right and the permission that has existed and to continue the same.

The CHAIRMAN. And suppose the law would go further and prohibit rebating.

Mr. GOTTHEIL. I believe that it would meet the issue if it was only exact, that agreements should be filed. I believe furthermore, however, that whatever the department may be, they should keep these agreements and consider them as private. In England, when an investigation was held, agreements were surrendered very freely, for the simple reason that nothing was published. It does not seem fair that everybody should know everybody else's business. I think that under those conditions it would probably meet the question and prove satisfactory. As far as the rebate question is concerned, I so heartily indorse the views expressed here that I believe a rate rebate system should be established to the protection of a line of steamers that is operating satisfactorily and has been operating satisfactorily against the attack from sporadic steamship owners, who have no interests to conserve, who just, for selfish reasons, perhaps, put a steamer on and disorganize the whole traffic. There are speculators in the market who would be ready to speculate and upset almost any arrangement.

Mr. HARDY. You do not think, however, the fact that various governments spend untold millions in the improvement of harbors and in the deepening of waterways, that it gives them any right of supervision over your actions as public carriers?

Mr. GOTTHEIL. I think the money is spent in these harbors for the benefit of the harbors and the benefit of the general trade. If the harbors are made deep enough to allow the entry of large vessels, of course the transportation will immediately advance, because it is a well-known economic fact that the larger the ship the cheaper the transportation costs and the lower are the rates of freight. The moment you take away this advantage up will go the rates of freight, and I think that the people at large are benefited more than the steamship companies by these works.

Mr. HARDY. The people at large are benefited, or else the Government would betray their trust in making these improvements. But in the same way public roads are built by public taxation, and are for the public benefit, for the benefit of the whole community, although those who use them are sometimes charged for their use; they are certainly controlled in the use of them.

Mr. GOTTHEIL. So far as a charge is concerned it does not make a bit of difference, for whatever you charge goes into the freight.

Mr. HARDY. But whenever you begin to use a public vehicle, whether it be a railroad or a port, for the purpose of following your occupation or calling, you become a part of the public function yourself, do you not?

Mr. GOTTHEIL. We become common carriers at sea.

Mr. HARDY. And as common carriers subject to right regulation, whatever that may be. Whether you were or were not, you ought not be subject to any injustice, but under your views you would place your transportation companies ultimately with autocratic power in their discretion as to rates, without any influence from anybody; is not that the situation you reach?

Mr. GOTTHEIL. I do not think there would be any autocratic power. I have stated several times in my testimony, and I wish to repeat it, that there is a world-wide competition market controlling the actions of everybody. You can not be autocratic, because if you are autocratic you cut off your own nose to spite your face. The trade has got to be catered to, and you have got to be reasonable, and the action of the lines during the last five or eight years shows that they have created a clientele that is friendly, and some of them extremely friendly, because they know that such a thing as autocratic demands do not exist. Now, I do not think it is possible that anybody would ever be able to assume a position of a dictator in this trade, because if they did they would have competition to-morrow. Ships can be brought to a port in no time. A railway can not be built at once.

The CHAIRMAN. You may be excused for the present, with this understanding—that you will be subject to call at some future time under your subpoena.

**TESTIMONY OF MR. WILLIAM BOYD, OF NEW YORK CITY,
PRESIDENT OF HOULDER, WEIR & BOYD.**

Witness sworn by the chairman.

The CHAIRMAN. Give your name and state the line or lines you represent.

Mr. BOYD. My name is William Boyd; I am president of Houlder, Weir & Boyd. We represent the American & Oriental Line in the trade between New York, China, and Japan, the Far East, and the American Rio Plata Line, which trades between the United States and Argentine ports.

The CHAIRMAN. Yours is an American line, is it?

Mr. BOYD. It is; yes.

The CHAIRMAN. What I mean by that, it is an American corporation, is it not?

Mr. BOYD. Yes, sir.

The CHAIRMAN. But your ships operate under what flag?

Mr. BOYD. Under the British flag.

The CHAIRMAN. And your line is owned, is it, by American citizens?

Mr. BOYD. No; the steamers are owned by the owners in Britain, but the line belongs to us. We organized it and we have induced those owners to put their boats on our service. They get the results of the service and we get a commission for running the line and operating the service.

The CHAIRMAN. Just explain that to us, will you, so we will understand just what the situation is. What owners abroad are there from whom you charter their boats? You do not own them, do you?

Mr. BOYD. No, sir.

The CHAIRMAN. Just give us, briefly, your arrangement.

Mr. BOYD. Well, four shipowning firms, Andrews, Weir & Co.; Houlder, Middleton & Co.; and Joseph Chadwick & Son; and Thomas De Lauf & Son, who own those steamers. We have induced those owners to come into the New York and River Plata trade. They give us their boats to load. We load them, and before loading them we get a percentage on the earnings of those boats. The earnings of the boats go to the vessels.

The CHAIRMAN. And they are known as the American & Oriental Line?

Mr. BOYD. The American Rio Plata Line.

The CHAIRMAN. The American Rio Plata Line; is that the line to Argentina?

Mr. BOYD. Yes, sir.

The CHAIRMAN. And the American Oriental Line is the one to China, Japan, and the Philippines, is it?

Mr. BOYD. The American Oriental Line is rather on a different basis. It is an English line under a trade name.

The CHAIRMAN. What line is that?

Mr. BOYD. The American Oriental Line.

The CHAIRMAN. Tell us, now, just what that arrangement is.

Mr. BOYD. Well, we are simply agents for that line. It is operated by steamers belonging to the Prince Line, and Weir & Co., and Houlder, Middleton & Co.

Mr. HARDY. Has your line that operates these ships on commission any capital itself in it?

Mr. BOYD. Our firm has no capital.

Mr. HARDY. You are not connected with this line, then?

Mr. BOYD. No; we have no financial risk in the line.

Mr. HARDY. This line, then, is run by you, and without capital invested in it by you?

Mr. BOYD. Yes.

Mr. HARDY. On a commission basis entirely?

Mr. BOYD. Exactly.

Mr. HARDY. What is the difference between your system and acting as agent, as you do, for the other lines running to China?

Mr. BOYD. Only this, that we look upon the River Plata trade as our trade. We started it, and at some times have operated it by chartered boats. It is really our business, and should those owners who now give us their boats withdraw their boats from that trade, we would certainly endeavor to keep it up ourselves.

Mr. HARDY. But, in substance, the benefit inures practically the same in the two cases?

Mr. BOYD. Yes, sir.

The CHAIRMAN. I understand as to that particular trade you use those boats as vehicles to carry on the trade, the earnings going to the owners, and you getting a certain commission?

Mr. BOYD. Yes, sir; exactly.

The CHAIRMAN. And you prefer that arrangement to the arrangement which you had formerly, under which you chartered boats from time to time for the freight?

Mr. BOYD. Yes, sir.

The CHAIRMAN. Now, you heard the testimony of Mr. Gerhard and Mr. Halm, did you not, with reference to the trade to Argentina and the River Plata?

Mr. BOYD. I did.

The CHAIRMAN. We do not care to go over all that in detail. State to the committee if they have outlined and stated to the committee, in substance, the facts as related to that trade.

Mr. BOYD. I should say they have, exactly.

The CHAIRMAN. And as related to yourselves, as well as to them?

Mr. BOYD. Yes. I would only say that there was a little difference in this respect—at least, not a difference, but I would like to say here that we are rather doubtful of some evidence which has been given here as to monopoly, because within the last five years we have fought our way into that so-called monopoly. We are the latest comers in the trade.

The CHAIRMAN. In other words, you worked up to that point where they were bound to take you in?

Mr. BOYD. Yes.

The CHAIRMAN. In the combination?

Mr. BOYD. Yes.

The CHAIRMAN. You had fought your way in?

Mr. BOYD. We have fought our way in, and I really bring that point forward to show that it can be done and that there is no such thing as monopoly.

Mr. HARDY. Would you briefly tell us how many you got in?

Mr. BOYD. Well, perhaps some one else would like to know that. There is no secret about it; we simply fought our way in. We simply stuck out long enough to show the other fellow we were in earnest.

Mr. HARDY. Do you charter boats and seek trade?

Mr. BOYD. We do charter boats, arrange for the boat's load, and, as I say, seek trade.

Mr. HARDY. Did you find this difficulty in the way of rebates in the trade?

Mr. BOYD. There were rebates in the trade when we went into it.

Mr. HARDY. Did you find that sometimes a great obstacle in getting in?

Mr. BOYD. It was with some people. It hindered us with getting in with some people, for a time.

Mr. HARDY. Did you ever try that Brazilian coffee market and try to get some shipments of coffee from that section?

Mr. BOYD. No.

Mr. HARDY. Where did you find rebates standing mostly in your way while you were struggling to get in?

Mr. BOYD. We were only struggling to get in on the downward trade—that is, from New York to Argentina.

Mr. HARDY. The rebate system was sort of prohibited by law for here, was it not?

Mr. BOYD. I believe not at that time.

The CHAIRMAN. What other lines operate to the River Plata?

Mr. BOYD. Besides our own?

The CHAIRMAN. Yes.

Mr. BOYD. The Lamport & Holt, Houston, Barber, Prince Line. and Norton & Son.

The CHAIRMAN. The same agreements both as to the downgoing from this country and the incoming from the River Plata, are in existence and apply as stated by Mr. Halm and Mr. Gerhard?

Mr. BOYD. Understand, we do not run the boats from Argentina to the States at all. When our boats have to come back from there they come back in ballast. As a rule, if profitable freight is offering, we go from the Plata to Europe and come across from Europe again in ballast if some boat should be coming here.

Mr. HARDY. You do not bring freight from Europe to New York?

Mr. BOYD. We have, on very rare occasions, when we could get it.

Mr. HARDY. Your route is to go from here south, and then across to Europe and come back in ballast?

Mr. BOYD. Yes.

The CHAIRMAN. You take freight from Argentina to Europe?

Mr. BOYD. Yes.

The CHAIRMAN. Why is it you do not come back loaded from Argentina here?

Mr. BOYD. Because there is no volume of business from Argentina here to enable all the boats which go down to the Plata to come back with cargo.

The CHAIRMAN. Which line, under the agreement, has that trade?

Mr. BOYD. I should say the Houston has the biggest part of that trade.

The CHAIRMAN. That is understood, that he shall have it?

Mr. BOYD. No; we have no agreement whatever about that. We have, at our own discretion, refrained from going in there, because we thought we could do better elsewhere.

The CHAIRMAN. And your agreement simply relates to trade from ports here to the River Plata?

Mr. BOYD. Our agreement simply is that we will maintain entirely tariff rates. We have no other agreement with the Houston or any of the other lines in the Plata trade.

Mr. HARDY. Have you any agreement as to what tariff you will maintain coming back, northbound from Argentina?

Mr. BOYD. No, sir.

Mr. HARDY. Does your agreement contemplate you shall not bring freight back from there?

Mr. BOYD. No.

Mr. HARDY. You have left that open, but do not avail yourself of it or try to bring any back?

Mr. BOYD. We do not, although it is open.

Mr. HARDY. Is it, rather, discretion which prevents you trying to get into that, or is that your choice?

Mr. BOYD. That is our choice, meantime, under market conditions.

The CHAIRMAN. It is charged that the Houston Line, under the operation of their deferred rebate agreements with shippers in the River Plata trade, have practically shut you out from northbound cargoes.

Mr. BOYD. That may be true, that Houston has rebate agreements in the River Plata. I do not know. I have never looked into the question at all. We have never considered loading on the berth from the Plata, because our freight agents have advised us that there is not cargo to warrant our going into that market.

The CHAIRMAN. That is, not available for you?

Mr. BOYD. Not available for us.

The CHAIRMAN. Did they also inform you that the reason for that was that the merchants there were bound in this deferred rebate agreement to the Houston Line, and hence, for that reason, there was no opening for you?

Mr. BOYD. No, sir. They have advised us that the volume of tonnage moving from the River Plata to the United States is not worth fighting for. They have advised us that the Houston boats and the Lamport & Holt boats, which do load on that berth, very often leave with practically half a cargo; sometimes less and sometimes more; but the gist of their advices is that the trade is not worth considering. Therefore, we have not considered it. If they should, later on, advise its development, and they think it would be a good thing for us to get into that trade, there is absolutely nothing to hinder us, no agreement or any other thing, except expediency, why we should not go into it.

Mr. HARDY. If you get down there and can not find a cargo for Europe what do you do with your boat—take it away in ballast to Europe? If you fail to get a cargo from Argentina, would you go from there to Europe in ballast?

Mr. BOYD. Yes; we have sometimes had a boat to go from the Plata as far down as Dalny, in Russia, in ballast.

Mr. HARDY. If, when you come from there, you do not bring anything back to the port of New York from Europe, what is the purpose of taking a European trip?

Mr. BOYD. Where are we now, Mr. Hardy? We are in Dalny.

Mr. HARDY. In Russia?

Mr. BOYD. Yes; Asiatic Russia, which I believe now belongs to Japan.

Mr. HARDY. Then you do bring freight from there back to America?

Mr. BOYD. No. On this particular occasion you asked in your question if we could not get a cargo back to Europe, what we did.

Mr. HARDY. Yes.

Mr. BOYD. I am telling you we send the boat wherever we can get a cargo. On this particular occasion we sent it to Dalny and brought a cargo of beans from Dalny to Holland, which at that time was the best business offering.

Mr. HARDY. It then became a question of your being a free lance on the sea, as far as that shipment is concerned?

Mr. BOYD. Yes, sir.

The CHAIRMAN. Without any particular destination?

Mr. BOYD. Yes, sir.

The CHAIRMAN. You are also engaged in what other trade, Mr. Boyd?

Mr. BOYD. The trade from New York to China, Japan, and the Philippines.

The CHAIRMAN. What other lines are engaged in that trade that are in conference or agreement with your line?

Mr. BOYD. The lines in agreement with us are the U. S. & C. J. Line (the United States & China and Japan Steamship Co.), the America & Asiatic Co., and the Barber Line.

The CHAIRMAN. That is the trade to which Mr. Gottheil testified?

Mr. BOYD. Yes, sir.

The CHAIRMAN. Without going into details, is the arrangement between your line and the other lines substantially as testified to by him?

Mr. BOYD. It is.

The CHAIRMAN. Have you any contracts with shippers in that trade, or in the Argentine trade?

Mr. BOYD. We have; yes.

The CHAIRMAN. Have you them here?

Mr. BOYD. No, sir.

The CHAIRMAN. Could you furnish the committee with them?

Mr. BOYD. Yes. I did not bring any contracts, because my subpoena called for "any contracts which showed a special rate or a rebate," and not having any such contracts, I did not bring them.

The CHAIRMAN. I will ask you if there are any contracts or agreements in existence between your lines, or between your line and shippers, and the American Oriental Line, and the American Rio & Plate Line, respecting the giving or receiving of rebates, the giving or receiving of special rates or privileges, or providing for the payment of rebates to shippers, deferred or otherwise, as regards routes to the River Plata trade or the oriental trade?

Mr. BOYD. We have no such contracts.

The CHAIRMAN. You say you have some contracts with shippers in both of these trades? Can you furnish to the committee copies of some of those contracts?

Mr. BOYD. With pleasure. Those are just everyday contracts.

The CHAIRMAN. You will do so then, will you?

Mr. BOYD. Yes, sir; how many do you want, say a dozen?

The CHAIRMAN. Oh, if there is any difference between them, one of each kind will be sufficient.

Mr. BOYD. I will send you a fair sample.

The CHAIRMAN. Yes. We simply want, you understand, the different contracts.

Mr. BOYD. Yes.

Mr. STEPHENS. You have a number of contracts, you say; made generally with large shippers, are they?

Mr. BOYD. A few with large shippers, because there are only a few large shippers. The majority of our contracts are with small shippers.

Mr. STEPHENS. Do you give a small shipper the same rate of freight you do to the large shippers?

Mr. BOYD. Exactly the same.

Mr. STEPHENS. Is the contract open for any length of time? Do you have one time to make contracts, or is that open always?

Mr. BOYD. Any time a shipper cares to get boats we are willing to contract with him.

Mr. STEPHENS. If you make a large contract with a shipping firm to-day, are you ready in 10 months—if they are made for one year—are you ready in 10 months to make the same kind of a contract, giving the same rate, to a small shipper for the balance of the year?

Mr. BOYD. For the two months?

Mr. STEPHENS. For the two months.

Mr. BOYD. Yes.

Mr. HARDY. It occurs to me that maybe you might have reasonably held to yourselves the right not to do that kind of thing. Suppose tonnage has gone up in the meantime, very much from what it was when you made the contract at the beginning of the year. Now, the 1st of October comes and tonnage is very much higher than it was when you made that contract; would you still give the balance of the two months on the same rate that you now give?

Mr. BOYD. In the River Plata trade that has been the policy.

Mr. HARDY. You hold that rate for the contractual year as a unit?

Mr. BOYD. Yes.

Mr. HARDY. And make the trades uniform during that year?

Mr. BOYD. Yes.

Mr. HARDY. It seems to me you are more than fair.

Mr. STEPHENS. The contracts you make with those shippers are generally at less rates than the regular tariff rates?

Mr. BOYD. Yes and no. Some of the contracts are less than the tariff rates. That is, if the shipper wishes to be protected against a rise in the tariff. In other words, the contract may be the tariff rate out, and before the ship gets there it may be less than tariff rates.

Mr. STEPHENS. But, generally speaking, the rate is a less one than that carried by the regular tariff?

Mr. BOYD. Yes, sir.

The CHAIRMAN. That is all at present, Mr. Boyd.

Thereupon, at 4.10 p. m., the committee stood adjourned until Tuesday, January 14, when hearings will be renewed.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

^{U.S.}
THE COMMITTEE ON THE MERCHANT
MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 17, 1913

No. 6



WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

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RUFUS HARDY, Texas.

WILLIAM B. WILSON, Pennsylvania.

CHARLES D. CARTER, Oklahoma.

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JAMES D. POST, Ohio.

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ASHER C. HINDS, Maine.

STEPHEN G. PORTER, Pennsylvania.

WILLIAM D. STEPIENS, California.

THOMAS PARRAN, Maryland.

H. H. GARVER, *Clerk.*

DR. S. S. HUEBNER, *Expert to Committee.*

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
HOUSE OFFICE BUILDING,
Washington, D. C., January 17, 1913.

The committee met at 10.30 o'clock a. m.

Present: Representatives Alexander (chairman), Hardy, Stone, Ayres, Humphrey, Collier, Thayer, Faison, Greene, and Stephens.

STATEMENT OF MR. A. H. BULL, OF A. H. BULL STEAMSHIP CO., 8 BRIDGE STREET, NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Do you care to make a statement to the committee before we interrogate you?

Mr. BULL. I am at the committee's pleasure.

The CHAIRMAN. We will hear your statement if you have one to make.

Mr. BULL. About the year 1870 I started a small sailing-vessel line to Porto Rico. I worked along until finally we got to running steamers. After running steamers for about nine months we met with competition, and we had to drop our freight down to 10 cents a barrel for a while. As we could not stand that very long, we made peace with our competitor, amalgamated, and formed the New York & Porto Rico Steamship Co.

The CHAIRMAN. Who was your competitor then?

Mr. BULL. J. M. Ceballos & Co. and others. We each contributed half the capital. My partner and I owned one half, our competitors the other half. They were to have three directors and we two. We were to have the business done in our name. We ran that along until about 1900, and then my partner was dissatisfied because his interest was not as great as mine, and for some other reasons, and he wished to sell out. He informed me that if I did not buy he would sell out to the other people. The other half made me an offer to buy or sell. As I could not buy, as practically all I had at that time was in the New York & Porto Rico Steamship Co., I was forced to sell. In order to get out the money I had in it I signed a bond to stay out of the Porto Rico business for 10 years. I have a copy of that bond here. About a year previous to the expiration of my bond I met the vice president and manager of the New York & Porto Rico Steamship Co. and told him I saw that he had two steamers the same as ours. He said yes, he had those steamers so that if we went into the Porto Rico business, his company—which was the Atlantic, Gulf

& West Indies Steamship Co., a combination of four lines: The New York & Porto Rico Steamship Co., the Mallory Steamship Co., the New York & Cuba Mail Steamship Co., and the Clyde Line—that his company would build just such steamers as we were building.

I am a little ahead of my story. After Mr. Mooney told me that they intended these steamers that he had lately acquired for the general coastwise business, I reported to my partners and we decided that we had better take every method to protect ourselves. To do so we made long contracts to carry freight; those contracts are still in existence. We are still carrying freight under those contracts.

About a year after the expiration of that 10-year bond the chartering department of these amalgamated steamers sought to enter into our field, and we thought then that we should enter into the Porto Rico business, which we did, making a contract with some of the sugar people there to bring their output out of Porto Rico.

Just about the time we did so, or before doing so, I saw several of the members of the New York & Porto Rico Steamship Co. and told them that I thought it would be a great loss, and that the matter ought to be compromised. They did not seem to be willing to compromise; at least, there was no compromise made, and we entered into the business.

The CHAIRMAN. You say "we." To whom do you refer?

Mr. BULL. To the A. H. Bull Steamship Co.

The CHAIRMAN. When was that company organized?

Mr. BULL. That company was organized—that has already been answered——

The CHAIRMAN. June 19, 1902?

Mr. BULL. Yes, sir; 1902. We entered into business with a cut of 20 per cent below the regular tariff.

The CHAIRMAN. Twenty per cent on sugar?

Mr. BULL. No; that was on general cargo at large.

The CHAIRMAN. From what point to what point?

Mr. BULL. From New York to San Juan, Mayaguez, Ponce, and the other ports in Porto Rico. At the time we entered into the business there were three lines running to Porto Rico besides our own.

The CHAIRMAN. What lines were those?

Mr. BULL. The New York & Porto Rico Steamship Co., the Insular Line, and the Red D Line.

Mr. HARDY. Mr. Bull, could you have made a profit if you had continued to run on that 20 per cent under their regulation rates?

Mr. BULL. Will you please repeat the question?

Mr. HARDY. Could you make a profit at a 20 per cent cut under the regulation rate?

Mr. BULL. Yes, sir; a good profit. The 20 per cent was very little lower, only about 3 or 4 per cent, than the Insular Line was then carrying freight for, as they had what they called a system of discount, a discount of 4 to 12 per cent. I have their circular in which they mention that discount.

The CHAIRMAN. That is, they mention the discounts they were giving to shippers?

Mr. BULL. That they had previously given.

The CHAIRMAN. Those discounts are from the published tariffs?

Mr. BULL. From the New York & Porto Rico Steamship Co.'s tariffs, which seem to have been a standard. They sent out another

circular stating they would make a cut of 50 per cent—that they would now make a cut of 50 per cent.

The CHAIRMAN. That is, 50 per cent from the published tariff?

Mr. BULL. From the published tariff.

The CHAIRMAN. Of the New York & Porto Rico Steamship Co.?

Mr. BULL. Yes, sir; and that later it would be 60 per cent, and 70 per cent would follow.

The CHAIRMAN. Have you got that circular?

Mr. BULL. I have that circular. I have circulars and shipping cards—

The CHAIRMAN. Hand them to the stenographer to be noted as exhibits.

The 3 circulars and 16 cards referred to were marked, respectively, "Exhibit No. 46," "Exhibit No. 47," "Exhibit No. 48," and "Exhibit No. 49," and filed with the committee.

EXHIBIT No. 46.

[Insular Line (Inc.). Steamers between United States and Porto Rico. Wm. E. Peck & Co., general agents, 116 Broad Street.]

NEW YORK, November 15, 1911.

To shippers and consignees of the Insular Line.

DEAR SIRs: We beg to advise that our policy of meeting cut-rate competition, as outlined in our circular letter of July 12 last, will be continued until further notice, except on coke, coal, cement, lumber, cars and locomotives, kerosene, gasoline, dynamite, rails, flour, corn meal, rice, automobiles, machinery and boilers, or merchandise in excess of 2,000 pounds weight per piece. On these commodities special rates will be quoted on request.

Please note that in the weeks in which we give a discount greater than our established discount the discount will be 70 per cent from the Porto Rico Line tariff. If you are quoted higher rates than these by anyone else, we would suggest that you communicate with us before booking freight.

Whenever there is any change from the above we shall give due public notice, either by advertisement or circular letter.

Very truly, yours,

WILLIAM E. PECK & Co., Agents.

EXHIBIT No. 47.

[Insular Line (Inc.). Steamers between United States and Porto Rico. Wm. E. Peck & Co., general agents, 116 Broad Street.]

NEW YORK, November 23, 1911.

To shippers and consignees of the Insular Line.

DEAR SIRs: Owing to the fact that we have yielded to the solicitations of various shippers to the extent of accepting more freight to go on a certain steamer than the steamer could possibly carry, and in consequence subjected ourselves to severe criticism from shippers and consignees for not carrying goods which the steamer was physically unable to take care of, but for which bills of lading had been signed, we have decided that hereafter we shall permit and accept only such cargo as can be carried on the scheduled sailings, and any cargo sent to our pier, either by truck or lighter, without a permit or in excess of the permitted quantity or after the time specified on the permit has expired will not be accepted.

At the present time cargo is offered to us for every steamer largely in excess of the carrying capacity of the steamer. Please note that in order to do full justice to all shippers and consignees requests for space should be handed in to us previous to 3 p. m. on Monday of the sailing week, and if the requests are in excess of the capacity of the steamer the requests will be cut down propor-

tionately, so that we shall not be under the necessity of leaving any cargo behind for which we have signed bills of lading.

Inasmuch as the Bull Line steamer originally intended to sail on the 23d will not sail this week, on our steamer *Grayson*, scheduled to sail on Saturday, November 25, we would be justified in charging regular tariff rates under our circular of July 12, 1911. This would, however, work a hardship on the shippers and consignees by our line, all of whom expected reduced rates this week. We shall, therefore, consider the *Grayson* as being in competition with the Bull Line steamer which will commence loading this week, and which will probably sail on the 27th and will give reduced rates on the *Grayson* to competitive ports.

In addition to the sailing advertised for this week, the Bull Line originally promised a steamer to sail next week. This, however, has been withdrawn, and they are advertising their steamer *Ruth* to sail on Tuesday, December 5. Many shippers, relying on the fortnightly service of the Bull Line, figured that next week would be a cut-rate week, and, rather than disappoint these shippers, we beg to announce that our sailing scheduled for December 2 will be considered as being in competition with the postponed sailing of the Bull Line now advertised to sail on December 5, and reduced rates will accordingly be given to competitive ports.

Our friends have overburdened us with cargo both for this week and next week, and we have therefore decided to put on two steamers, both at reduced rates, to competitive ports, to sail in the week of December 2. Names and ports will be duly announced by usual card. We call your attention to the fact that we are now giving four sailings in succession at reduced rates, as against three sailings of the Bull Line.

The above-mentioned withdrawn and postponed sailings have led to many questions in reference to which boats of ours will give the reduced rates. In order to do away with any further uncertainty in this respect in the matter of future sailings please note that—

Hereafter and until further notice we shall give reduced rates to competitive ports as many times per month as there are sailings of the Bull Line, and we shall announce on our sailing cards as to whether our steamers will or will not give reduced rates to the competitive ports.

INSULAR LINE, (INC.).

NOTE.—Our steamer *F. J. Luckenbach* sailed November 18 and left on pier 27, Brooklyn, some cargo, which will go forward by steamer *Grayson* this week. Most of this cargo was covered by bills of lading signed on the *F. J. Luckenbach*, and it is not possible at present to tell just what did not go forward. Please notify your underwriters that your shipments by *F. J. Luckenbach* may have been split between her and the *Grayson* and have them protect you accordingly.

EXHIBIT No. 48.

[Insular Line (Inc.). Steamers between United States and Porto Rico. Wm. E. Peck & Co., general agents, 116 Broad Street.]

NEW YORK, July 12, 1911.

To shippers and consignees of the Insular Line.

DEAR SIRs: Since the Insular Line started, five years ago, it has always given lower rates than any other steamship line running to Porto Rico and has increased its service, both of which factors have built up the trade with Porto Rico. Our sailings have been regular, we have tried to show shippers and consignees every courtesy, and we believe that the majority of the trade appreciate what we have done.

About four months ago new competitors came into the field, with the idea of forcing us to withdraw. Having spent five years in developing the business, we declined to withdraw, and a cut-throat competition was immediately started. Notwithstanding all said in the circulars issued from time to time by such competitors calling attention to the existing low rates, for which rates said competitors claim the sole credit, we would point out that when they started they used as a basis the tariff of the Porto Rico Line, less a discount of 20 per

cent, which clearly indicated what they thought the rates should be. As we were at the same time giving discounts varying from 10 per cent to 16½ per cent, the rates quoted were only slightly lower than ours.

We call attention to the fact that for five years we have uniformly maintained the lowest rates quoted to shippers. Owing to the fact that we immediately bettered their discount, said competitors then made a further and unwilling reduction, which we likewise met and exceeded. On May 15, in order to fully protect our friends, and as our competitors had no regular tariff, but were apparently quoting different rates on every steamer, we issued a circular saying that the Insular Line would give rates 5 per cent less than those quoted by the Bull Line, in competitive weeks to competitive ports. This promise we have lived up to in every respect and have protected our friends to the best of our ability, but owing to the fact that no regular tariff has been issued by our competitors, and the further fact that different shippers report to us different rates on the same commodity shipped on the same steamer, we feel that we should now state to our shippers that by the *Julia*, sailing July 15, 1911, we have quoted rates averaging about 50 per cent below the Porto Rico Line tariff rates and that by the next steamer sailing in the same week with a vessel of the Bull Line we will make a further reduction to all competitive ports, so that the rates to such ports will be 60 per cent below the Porto Rico Line tariff rates.

These rates will not apply to coke, coal, cement, lumber, cars and locomotives, kerosene, gasoline, dynamite, rails, machinery and boilers, or merchandise in excess of 2,000 pounds weight per piece, on which articles we will quote special rates from time to time upon request.

Minimum B/L \$1, no parcel receipts.

In the weeks in which the Bull Steamship Co. do not sail a steamer we shall, of necessity, have to charge our regular tariff rates, so as to be able to maintain the service in such weeks.

We feel that the trade with Porto Rico in order to flourish requires a weekly service at steady and reasonably remunerative rates rather than infrequent sailings at fluctuating tariffs and cut rates which can not be permanent. We feel also that the importers in Porto Rico will make no greater profit from their business with fluctuating tariffs and cut rates than under our former regular, reasonable, and steady rates, which were the same for every shipper, yet we feel that we, who have always quoted lower rates than any other steamship line in the field and who have quoted uniform rates to all shippers of the same kind of merchandise by the same steamer, can not now allow our competitors to take credit to themselves for the present reductions in rates which were forced upon them by us. The policy of this company has been and will at all times continue to be based upon giving our customers the lowest rates to Porto Rico, so that in the near future shippers may expect to see as much as 70 per cent discount from the Porto Rico Line tariff rates.

INSULAR LINE.

Copies of this circular are being issued in Porto Rico, and extra copies of each can be obtained at this office.

EXHIBIT No. 49—1.

[Insular Line (Inc.). William E. Peck & Co., agents.]

NEW YORK, May 1, 1911.

NOTICE No. 1.

To all ports in Porto Rico for which the A. H. Bull Steamship Co. accept freight on any steamer, we guarantee that our net rate to the same ports by a steamer sailing in the same week will be as low as or lower than the net rates accepted by the A. H. Bull Steamship Co. on freight carried by them in that week to such ports.

This is a positive guarantee, and will be in effect until further public notice.

INSULAR LINE (INC.),
116 Broad Street, New York.

Telephone, 6050 Broad.

EXHIBIT No. 49—2.

[Insular Line (Inc.). William E. Peck & Co., agents.]

NEW YORK, May 15, 1911.

NOTICE No. 1.

To all ports in Porto Rico for which the A. H. Bull Steamship Co. accept freight on any steamer, we guarantee that our net rate to the same ports by a steamer sailing in the same week will be 5 per cent lower than the net rates accepted by the A. H. Bull Steamship Co. on freight carried by them in that week to such ports.

This is a positive guarantee, and will be in effect until further public notice.

INSULAR LINE (INC.),
116 Broad Street, New York.

Telephone, 6050 Broad.

EXHIBIT No. 49—3.

[Insular Line (Inc.). William E. Peck & Co., agents.]

American steamship *Harry Luckenbach* will sail at noon Saturday, June 17, 1911, from Pier 27, Brooklyn, for San Juan, Mayaguez, Ponce, Arroyo, and Arecibo. Also Fajardo by transshipment.

Truck freight will be received from 7 a. m. June 12 to 5 p. m. June 15.

Lighter freight will be received in accordance with permit.

INSULAR LINE (INC.),
116 Broad Street, New York City.

Office phone, 6050 Broad.

Pier phone, 675 Hamilton.

EXHIBIT No. 49—4.

[Insular Line (Inc.). William E. Peck & Co., agents.]

Having heard from several sources that the Bull Line have told shippers that we could not or would not have a steamer to sail next week in competition with their steamship *Ruth*, please note the following:

Our steamship *Harry Luckenbach*, now in port, will sail next week for San Juan, Mayaguez, Ponce, and Arroyo, and will accept freight in accordance with permits at a discount of 60 per cent, as stated in our circular of July 12. Sailing cards giving exact date will be issued to-morrow.

We further announce that in the next week in which the Bull Line have a sailing we will also dispatch a steamer, on which we will accept freight in accordance with permits, and the rate of discount will be 70 per cent from the Porto Rico Line tariff rates. Conditions as per our circular of July 12.

INSULAR LINE.

NEW YORK, July 18, 1911.

EXHIBIT No. 49—5.

[Insular Line (Inc.). William E. Peck & Co., agents.]

Please note the following:

If Bull Line sail steamer next week, as advertised, our discount to competitive ports on our sailing for August 5, as per separate sailing card, will be 70 per cent as stated in our notice of July 18.

We further announce that in the next week in which the Bull Line have a sailing, we shall also dispatch a steamer, on which we will accept freight only in accordance with permits, and the rate of discount to competitive ports will be 70 per cent from the Porto Rico Line tariff rates. Conditions as per our circulation of July 12.

INSULAR LINE.

NEW YORK, July 27, 1911.

EXHIBIT No. 49—6.

[Insular Line (Inc.).]

Our next sailing will be the *S. V. Luckenbach*, Saturday, May 4, 1912, from Pier 27, Brooklyn, at reduced rates, for San Juan, Mayaguez, and Ponce. Also call at Arroyo at regular rates.

Freight will be received only in accordance with permit which must be obtained from

WM. E. PECK & Co., Agents,
116 Broad Street, New York City.

Office phone, 6050 Broad.
Pier phone, 675 Hamilton.

EXHIBIT No. 49—7.

[Insular Line (Inc.).]

Will have two steamers sailing on Saturday, May 18, 1912, from Pier 27, Brooklyn: Steamship *Yaguez*, for San Juan and Mayaguez, at reduced rates; steamship *Borinquen*, for Ponce, at reduced rates; Arroyo, at regular tariff. Separate lighter deliveries each steamer.

Freight will be received only in accordance with permit which must be obtained from

WM. E. PECK & Co., Agents,
116 Broad Street, New York City.

Office phone, 6050 Broad.
Pier phone, 675 Hamilton.

EXHIBIT No. 49—8.

[Insular Line (Inc.). William E. Peck & Co., agents.]

NOTICE.

As the Bull Steamship Co. have failed to keep their promise of a sailing on June 10, please note that rates by our steamer sailing on tenth (as per separate sailing card) will be our regular tariff rates.

Cut rates will apply in the week in which the Bull Steamship Co. have a sailing.

INSULAR LINE (INC.),
116 Broad Street, New York City.

Office phone, 6050 Broad.
Pier phone, 675 Hamilton.

EXHIBIT No. 49—9.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, November 13, 1911.

The steamship *Santurce* will sail on November 25, taking cargo for Guanica, Jobos, Arroyo, Humacao, and Yabucoa.

Will take cargo at the 70 per cent discount rate.

Yours, very truly,

V. K. HULL, General Freight Agent.

EXHIBIT No. 49—10.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, March 16, 1912.

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *Coamo* March 23 for San Juan, Mayaguez, and Ponce.

V. K. HULL, General Freight Agent.

EXHIBIT No. 49—11.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, April 4, 1912.

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *Coamo* April 13 for San Juan, Mayaguez, and Ponce.

V. K. HULL, *General Freight Agent.*

EXHIBIT No. 49—12.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, April 22, 1912.

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *Coamo* May 4 for San Juan, Mayaguez, and Ponce.

V. K. HULL, *General Freight Agent.*

EXHIBIT No. 49—13.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
11 Broadway, New York, May 7, 1912.

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *San Juan* May 18 for San Juan, Mayaguez, and Ponce.

V. K. HULL, *General Freight Agent.*

EXHIBIT No. 49—14.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
PORTO RICO LINE,
11 Broadway, New York, September 4, 1912.

The steamship *Carolina*, sailing on September 14 for San Juan, and the steamship *Montoso*, sailing on September 14 for Arecibo, Mayaguez, and Ponce, will accept cargo at reduced rates. The *Montoso* will also call at Jobos, Arroyo, and Naguabo.

For rates and further information apply to

V. K. HULL,
General Freight Agent.

Telephone, Rector 4343.

EXHIBIT No. 49—15.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
PORTO RICO LINE,
11 Broadway, New York, October 8, 1912.

The steamship *Coamo*, sailing on October 19 for San Juan, and the steamship *Isabela*, sailing on October 19 for Ponce, Mayaguez, Arecibo, and Humacao, will accept cargo at reduced rates.

For rates and further information apply to

V. K. HULL,
General Freight Agent.

Telephone, Rector 4343.

EXHIBIT No. 49—16.

THE NEW YORK & PORTO RICO STEAMSHIP CO.,
PORTO RICO LINE,
11 Broadway, New York, October 24, 1912.

The steamship *San Juan*, sailing on November 2 for San Juan, and the steamship *Montoso*, sailing on November 2 for Ponce, Guanica, Mayaguez, Jobos, Arroyo, and Humacao, will accept cargo at reduced rates.

For rates and further information apply to

V. K. HULL,
General Freight Agent.

Telephone, Rector 4343.

Mr. BULL. After about six months or so the New York & Porto Rico Steamship Co. sent out cards and circulars stating that they would take freight at a reduced rate. They did not mention 70 per cent except in one circular. On the margin you will see a pencil mark initialed by their manager that the reduced rate is 70 per cent. I have also copies of three of their bills of lading and two photographs of bills of lading of the New York & Porto Rico Steamship Co. showing that they actually did cut 70 per cent.

Mr. HARDY. At what date?

Mr. BULL. That ran from January to March, 1912.

The three copies of bills of lading and the two photographs of bills of lading were marked, respectively, "Exhibit No. 50," "Exhibit No. 51," "Exhibit No. 51-a," "Exhibit No. 52," and "Exhibit No. 53," and filed with the committee.

Mr. BULL. The circulars, of course, that I obtained were sent to our friends and shippers. Of course this must have entailed considerable loss. Indeed, Mr. F. Kingsbury Curtis, of the Insular Line—by the way, we do not know who the Insular Line is. We can not find out its president or any of its officers, nor its directors; but Mr. Curtis, who seems to be the man higher up, informed me that his company—the Insular Line—and the New York & Porto Rico Steamship Co. had lost \$1,750,000 in this competition.

The CHAIRMAN. What is Mr. Curtis's full name?

Mr. BULL. F. Kingsbury Curtis.

The CHAIRMAN. What is his address?

Mr. BULL. He is on the corner of Broad Street and Exchange Place.

The CHAIRMAN. In Philadelphia?

Mr. BULL. New York. Naturally Mr. Curtis and I were anxious to stop this ruinous competition. Mr. Curtis made me an offer to quit. After talking it over with him I said I would rather see Mr. Mooney, vice president of the New York & Porto Rico Steamship Co. and its general manager, who was a personal friend of mine, and talk it over with him. Mr. Mooney made me the same offer exactly that Mr. Curtis had made to me.

On the second interview with Mr. Mooney I told him that I might be willing to limit ourselves to a certain number of steamers and to bring out a certain amount, a limited amount of sugar. At the third interview with Mr. Mooney I told him I had consulted my lawyer, who had told me that we could not make any arrangement whatever that would tend toward raising the rates to Porto Rico. There have been recent overtures made to us by the same parties to withdraw from the business, but all offers that have been made have been that we raise the rate of freight to be uniform, and this we would never be willing to do.

To show the close relation between the Insular Line and the Atlantic, Gulf & West Indian Steamship Co., which practically controls all the transportation business along the Atlantic coast and Gulf of Mexico, except New Orleans, the Insular Line some years ago started to run a boat from New Orleans, but soon withdrew it, and notwithstanding the fact that the rates from New Orleans and Texas to Porto Rico are now about three times higher than they are from New York to Porto Rico. The Insular Line does not run any

boats from New Orleans to Porto Rico. The advertisements in any of the New York papers, or other papers, will show conclusively that the steamer companies and the railroad companies have divided up the territory, the Mallory Line going to Tampa, Mobile, Brunswick, and to Texas; the Clyde Line to Philadelphia, Wilmington, Charleston, and Jacksonville; the Eastern Steamship Co. from New York to the eastern ports, and so on along the whole coast. No independent company can get into any of these ports, because the railroads refuse to prorate with them, but on that subject I very much prefer to have you call my son, vice president of the A. H. Bull Steamship Co., who is better posted and can give you the information more in detail.

The CHAIRMAN. What is his name?

Mr. BULL. Ernest M. Bull.

The CHAIRMAN. You say the railroads refuse to prorate with any independent line?

Mr. BULL. Yes, sir; nor will they give us a terminal. They control the terminals——

The CHAIRMAN. At what points?

Mr. BULL. At all points. We can not get a wharf at New York City. We have by the courtesy, you might say, of the Baltimore & Ohio Railroad, part of pier 7, but we have already been notified to leave; and then, through the courtesy of the Great Northern Paper Co., we have use of pier 47, I think it is—that is, in part. We have had an application in for a pier at New York City for over two years and that same thing applies to any of our other ports.

The CHAIRMAN. Do not the piers of New York belong to the city?

Mr. BULL. Some of them do.

The CHAIRMAN. Not all of them?

Mr. BULL. Not all of them.

The CHAIRMAN. Those that belong to the city—you say are all leased?

Mr. BULL. All leased to railroads or steamship companies.

The CHAIRMAN. And you can not get in—you can not rent the pier?

Mr. BULL. No, sir.

The CHAIRMAN. And the companies to which they are leased are in these combines?

Mr. BULL. Yes, sir.

The CHAIRMAN. Which shuts out competition?

Mr. BULL. Yes, sir.

The CHAIRMAN. Shuts out the tramp steamer?

Mr. BULL. Yes, sir.

The CHAIRMAN. Prevents competition in rates?

Mr. BULL. Yes, sir.

The CHAIRMAN. That is the situation in New York?

Mr. BULL. Yes, sir.

The CHAIRMAN. Now, in Philadelphia the terminals and piers belong to the railroads, do they not, with the exception of one pier?

Mr. BULL. I do not know. We have done no business from Philadelphia, but we have tried to get into Jacksonville, Pensacola, Mobile——

The CHAIRMAN. And the piers in each of those cities are controlled and belong to the railroads?

Mr. BULL. Yes, sir.

The CHAIRMAN. Yet Congress is spending millions of money to deepen harbors to facilitate our trade, and yet the terminals are so controlled that it is impossible to have open competition on the sea?

Mr. BULL. That is true, sir. As you see, if the railroads refuse to pro rate with independent lines in package freight they can do the same in bulk freight.

The CHAIRMAN. Let me understand. For instance, if you want a cargo out of Jacksonville, Fla., you can not get it. Suppose a shipper wants to give you a cargo out of Jacksonville.

Mr. BULL. Because if there is a ton of pig iron coming from Birmingham to be shipped out of Jacksonville to New York, the rate might be, we will say, \$4. Of that rate the steamship carrying the freight from Jacksonville to New York would be entitled to a certain proportion, and the railroad company bringing the pig iron down to tidewater would be entitled to its proportion. Now, the railroads give a certain rate to their most favored steamship company which they will not give to the A. H. Bull Steamship Co., or any other independent line. If an independent line try to get this iron they must pay the local rate from Birmingham to Jacksonville, if the railroad is willing to give them a terminal, which it is not generally willing to do.

The CHAIRMAN. The steamship company in the combine, however, in prorating the tariff will not be compelled to pay the railroad the local rate from Birmingham to Jacksonville?

Mr. BULL. No, sir.

The CHAIRMAN. Have they two rates from Birmingham to Jacksonville authorized by the Interstate Commerce Commission?

Mr. BULL. Certainly. I have letters here that we have written to some of the railroad companies asking them if they would prorate with us and they have refused to do so. We also have letters——

The CHAIRMAN. Select some of those letters.

Mr. BULL. I will pick them out.

Mr. HARDY. At the same time they refuse to prorate with you they are actually prorating with the combination lines?

Mr. BULL. Yes, sir.

The CHAIRMAN. I suggest you have those letters identified there.

Mr. BULL. I will do so.

The CHAIRMAN. Proceed.

Mr. BULL. On January 12, about, 1912, our steamship *Caroline* was wrecked on Metinic Island. We were then under contract to bring the potato crop out of the State of Maine, and as we had barely enough tonnage to carry out our contracts we were cramped. We endeavored to charter a steamer to take her place. Indeed, before we had made any effort brokers came in and wanted to know if we did not want to charter a steamer. We said most assuredly we did. They mentioned one or more steamers that were controlled by the Steamship Trust, or combination, and we told them we did not think they would be able to charter them to us. "Oh, yes; they would; they were very much in need of business." To start out, some of the brokers would not return. Others came back and stated their regret that they could not charter the Bull Steamship Co. any steamers. Not being able to charter a steamer, and rather than make a loss we said we would buy a steamer; so we called up Mr. John

Damers, who makes a specialty of selling steamers, and asked him if he had anything he could sell. He said, "Yes;" he had the *William Palmer*, owned by the Southern Steamship Co., of Philadelphia. As they were not competitors of ours in any way, we entered into negotiations. I have a memorandum here that I would like to read. Mr. Damers finally told us that he could not sell us the *Palmer*. I asked him if he would give his reasons in writing. He told me "No;" it might bring him in disrepute with the steamship companies. It might hurt his business.

The CHAIRMAN. With what steamship companies?

Mr. BULL. He did not say what steamship companies, but of course I understood it is to be the one company that controlled pretty nearly everything, that is, the Atlantic, Gulf & West Indies Steamship Co.

So I wrote out this memorandum, showed it to Mr. Damers, and asked him if it was a correct statement. He said it was. [Reading:]

[Memorandum of interview with Mr. John Damers, February 2, 1912.]

Mr. John Damers called to-day and stated that he talked with Mr. Harvey Miller, president of the Southern Steamship Co., the day before last. As he had been in negotiation with Mr. Miller for many weeks for the sale of the steamship *William Palmer*, he asked Mr. Miller if he was now ready to give him a price, or what was the least price he would take for the *Palmer*.

Mr. Miller asked him who his principals were, and he said the Atlantic Coast Lumber Co., and then Mr. Miller asked him if the Atlantic Coast Lumber Co. would agree not to sell the *Palmer* to anyone else. Mr. Damers did not think that anyone would wish to buy the steamer and then agree never to sell her. Mr. Damers then informed Mr. Miller that he had another party in view, but would like to know his lowest price for the *Palmer*, and Mr. Miller asked who it was. Mr. Damers hesitated to divulge the name of his second party, when Mr. Miller asked if it was the A. H. Bull Steamship Co., or if it was Bull. Mr. Damers then asked Mr. Miller if he would object to sell the *Palmer* to Mr. Bull. Mr. Miller replied: "Yes; they are our competitors."

ARCH'D H. BULL.

"We have never been their competitors, but we learned afterwards that the Southern Steamship Co. was controlled by and went into the hands of the Mallory Steamship Co. which is a component part of the Atlantic & Gulf Steamship Co.

I was about to say that this prorate—you see Morse's scheme was to get the whole thing; that is, in my opinion, which looks plausible. If he could get the railroad companies to refuse to prorate on coal and iron, and phosphate rock, and lumber the same as they did on package freight, he could capture the whole coast. He started out to do it.

The CHAIRMAN. That was when the trust undertook to organize——

Mr. BULL. But, luckily for us, he fell down. He appeared to pass out with the rest of them.

I think I have covered about the whole ground.

The CHAIRMAN. What trade is your company engaged in now?

Mr. BULL. We are engaged in running a line from New York to Stockton Springs in connection with Bangor & Aroostook Railroad.

Mr. HUMPHREY. Where is Stockton Springs?

Mr. BULL. In the State of Maine east of Rockland. We found that the Bangor & Aroostook Railroad was the only railroad that

was not tied up to any steamship company, and so we entered that field. It was the only field we could get into. Then we ran our line between New York and Porto Rico.

The CHAIRMAN. Are you operating that line now?

Mr. BULL. Yes, sir.

The CHAIRMAN. How many lines operate between New York and Porto Rico?

Mr. BULL. There are four.

The CHAIRMAN. Yours and the other three?

Mr. BULL. Ours and the other three.

The CHAIRMAN. What are the other three?

Mr. BULL. The New York & Porto Rico Steamship Co., the Insular Line, and the Red D Line.

The CHAIRMAN. Is the rate cutting going on still in the Porto Rico trade?

Mr. BULL. Yes, sir.

The CHAIRMAN. Is it between your company and the other three combined, or are they cutting it between themselves?

Mr. BULL. No; as these circulars and cards will show, the New York & Porto Rico Steamship Co. and the Insular Line—which we think is only a buffer for the New York & Porto Rico Steamship Co.—they cut about 70 per cent. The Red D Line—I have one of their circulars—they cut 50 per cent. I have one of their cards.

The CHAIRMAN. Is there any relationship between the Red D Line and the New York & Porto Rico Steamship Co.?

Mr. BULL. None whatever. They are like ourselves. As far as I know they are independent.

The CHAIRMAN. Have they much trade with Porto Rico?

Mr. BULL. No; their trade principally is with La Guaira, in South America; they merely call at Porto Rico; they can only take a limited amount of freight. Their steamers are small.

The CHAIRMAN. Do you know if they have any agreement with the other lines under the terms of which they are not to participate to any extent in the Porto Rico trade?

Mr. BULL. I do not believe they have any such agreement. Their president told me they had not.

The CHAIRMAN. If I understand you, the combination between these other lines, both in the Porto Rico trade and in the coast trade, is such that you even find difficulty in chartering steamers?

Mr. BULL. Yes, sir. We do—others do not. They charter between themselves. I have a charter party here. Finally, when we could neither buy nor charter a steamer we went to Mr. Luckenbach for a steamer, and he had the *J. L. Luckenbach*, which he said he would charter, excluding Porto Rico. We chartered his boat at a rate of \$7,500 a month in Government form of charter, and for two round trips, New York, Philadelphia, or Baltimore to the Gulf of Mexico and return, Porto Rico excluded. We found the steamer was of too heavy draft for our general business, and we asked Mr. Luckenbach to allow us to withdraw the clause exempting Porto Rico. We received no answer, and then we wrote him another letter on April 9, 1912. I have a copy of that letter. Shall I read it?

The CHAIRMAN. Yes; read it.

A. H. BULL & Co.,
New York, April 9, 1912.

Mr. EDGAR F. LUCKENBACH,
8 Bridge Street, New York City.

DEAR SIR: In reference to the charter party of the *J. L. Luckenbach*, dated March 30, we now find that we would like to send this steamer to Porto Rico.

As you now have, and have had for a number of years, steamers trading between New York and Porto Rico, you will realize that there is nothing especially hazardous about this voyage, and as the charter party gives us the privilege of going to neighboring islands in the Gulf of Mexico, we hope you will have no objection to extending the charter to cover Porto Rico.

As we understand the steamer will be here the last of this week, a prompt reply to this will be appreciated.

Yours, truly.

Mr. BULL. Then we wrote him another letter on April 22, 1912, which is as follows [reading]:

A. H. BULL & Co.,
New York, April 22, 1912.

EDGAR LUCKENBACH, Esq.,
8 Bridge Street, New York City.

DEAR SIR: In reference to our conversation about a week or 10 days ago, regarding the privilege of sending the *J. L. Luckenbach* to Porto Rico, we understand at that time you were willing we should do this, provided the Insular Line would release you from the contract they have with you, prohibiting you from chartering any of your steamers to us for Porto Rico.

Will you kindly take this matter up with them again, as we should like to send the *Luckenbach* to Porto Rico on her next trip.

Your prompt attention to this matter would be appreciated by,

Yours, truly.

Mr. BULL. We got no reply to it. We could not send her to Porto Rico. We had to send her to such places as we could. She helped out somewhat, still we made considerable of a loss on our charter, which we would not have done, probably, if we could have sent her to Porto Rico.

Mr. HARDY. I should like to interrupt the course of your story just a moment and ask you to explain to me the Morse scheme; you said it was to arrange the prorate on packet or package freight only.

Mr. BULL. Bulk cargo, such as coal.

Mr. HARDY. Do I understand there was no prorating between the railroads and these combination lines on bulk cargo?

Mr. BULL. No, sir; maybe I should put that in a different way.

Mr. HARDY. I want to understand that distinctly.

Mr. BULL. If I put that in this way, maybe if Mr. Morse had been able to have compelled the railroads to refuse to prorate with schooners, barges, and independent steamship companies, they would have been left out in the cold, and he would have had the whole thing.

Mr. HARDY. I understood you to say that the railroads do refuse to prorate with independent companies?

Mr. BULL. No, sir; not on bulk cargoes.

Mr. HARDY. They do prorate on bulk cargoes, do they?

Mr. BULL. They do prorate on bulk cargoes; yes, sir.

Mr. HARDY. But they will not prorate on packages, is that the fact?

Mr. BULL. They will not prorate on packages.

Mr. HARDY. Is that the condition now?

Mr. BULL. That is the condition now.

Mr. HARDY. But all package freight they prorate with the combination lines, but will not do it with the others?

Mr. BULL. Yes; they do it with their favored steamship lines.

Mr. HARDY. That is, in the combination?

Mr. BULL. No; they are not all in the combination.

Mr. HARDY. What I want to know is why the railroads have made this distinction in prorating of package freight, but not in bulk freight.

Mr. BULL. Well, it must pay them to do that. It must be a profitable arrangement.

Mr. HARDY. So, in bulk freight, your independent lines can get a prorate with railroads?

Mr. BULL. Yes, sir; otherwise we could not exist.

Mr. HARDY. Do you get the same prorate as the combination lines do?

Mr. BULL. The combination lines carry little or no bulk cargoes, though, as Mr. Mooney had told me in one of the interviews. Mr. Mooney told me that if we did not enter into an agreement with him to stop the competition with his company, that the Gulf & West India Co. would build such steamers as we own and follow us up on all of our coastwise business. They did build three steamers similar to ours, but those steamers can be used in carrying sugar just as well; they are not particularly package steamers. They can be used just the same as ours.

Mr. HARDY. I think I understand what I wanted to know, now.

Mr. HUMPHREY. The bulk cargo is the low class of freight, is it not?

Mr. BULL. Yes; the low-class freight.

Mr. HUMPHREY. That explains one reason why they are willing to divide prorate on it and not on the high class.

The CHAIRMAN. You are familiar with conditions on the Atlantic and Gulf seaboard, are you not?

Mr. BULL. Somewhat, sir; it has been my business for many years.

The CHAIRMAN. For instance, take it between New York, Charleston, Jacksonville, Tampa, Mobile, New Orleans, and Galveston, and tell the committee whether or not that territory is not divided up between these lines in the combination, and whether or not there is any open competition.

Mr. BULL. I have already told the committee that.

The CHAIRMAN. I wish you to tell us in just so many words.

Mr. BULL. Yes, sir; I have told you in just so many words. You can take any ordinary shipping advertisement paper and see that none of the lines advertise a steamer for the same port that any of the others do.

Mr. HUMPHREY. Is that territory divided up by agreement or by some understanding between the companies?

Mr. BULL. That I could not tell you. I am not in the ring.

Mr. HUMPHREY. As a shipping man you do not believe it is accidental, do you?

Mr. BULL. No, sir; certainly not.

The CHAIRMAN. The very conditions suggest there is an agreement between them, do they not?

Mr. BULL. Yes, sir; surely.

The CHAIRMAN. And all the circumstances, so far as you are familiar with them, indicate clearly that there is a combination or agreement between them by which they divide up the territory?

Mr. BULL. Yes, sir.

The CHAIRMAN. These different lines, so far as you can ascertain, are also in the combination with the railroads, are they not?

Mr. BULL. Yes, sir.

The CHAIRMAN. By which the water rate is practically maintained at the same rate as the rate by rail?

Mr. BULL. I do not quite understand you.

The CHAIRMAN. For instance, from Galveston to New York by rail, and from Galveston to New York by water; what is the difference in the rate?

Mr. BULL. Oh, the rate by rail from Galveston to New York would be very much higher than the rate by steamer from Galveston to New York.

The CHAIRMAN. The rate from Galveston to New York by rail——

Mr. BULL (interposing). Would be very much higher.

The CHAIRMAN. Much higher than by water?

Mr. BULL. Yes, sir.

The CHAIRMAN. Is that also true from New Orleans?

Mr. BULL. Sure.

The CHAIRMAN. And from these other ports?

Mr. BULL. Yes.

The CHAIRMAN. Then, these water routes are in competition with the rail routes, are they not?

Mr. BULL. Yes, sir.

The CHAIRMAN. That is what I wished to make clear.

Mr. BULL. Yes; that is, they would be if the steamships were entirely independent of the railroads.

The CHAIRMAN. Are they, notwithstanding?

Mr. BULL. Some are; yes, sir.

Mr. HUMPHREY. Is it not a fact that most of those steamship lines are controlled by the railroads?

Mr. BULL. A good many of them are, sir.

The CHAIRMAN. Are not some of them owned by the railroads?

Mr. BULL. Yes, sir.

The CHAIRMAN. Can you name any of them?

Mr. BULL. Yes, sir; but I am afraid it is going to get me in trouble with all sorts of people that I am afraid of. These steamships are all reported to the customs house, and the committee can very readily find out who owns them.

The CHAIRMAN. You need not answer the question, then, if you do not care to. We have the information from another source, I am informed by Dr. Huebner.

Mr. BULL. Very well.

Mr. HARDY. Along that line, do you know who controls that Galveston Wharf Co.—where its affiliations are?

Mr. BULL. No, sir; those matters my son is more posted in regard to than I am.

Mr. HARDY. You do not know anything of the dealings with the Houston Direct Navigation Co. from Houston down to the Gulf on that bayou?

Mr. BULL. No, sir.

The CHAIRMAN. Have you ever undertaken to charter any boats from anyone else except from Mr. Luckenbach?

Mr. BULL. We have chartered boats from Mr. Luckenbach.

The CHAIRMAN. Have you ever tried to do so from anybody else?

Mr. BULL. From other people?

The CHAIRMAN. Yes.

Mr. BULL. Yes, sir.

The CHAIRMAN. For the Porto Rican trade?

Mr. BULL. Yes, sir.

The CHAIRMAN. Did you succeed?

Mr. BULL. No, sir.

The CHAIRMAN. Why not?

Mr. BULL. Because they would not charter their boats to go to Porto Rico.

The CHAIRMAN. Who were the parties?

Mr. BULL. All the parties who own steamships in that combination. We could not charter any and every ordinary tramp steamer to carry package freight to Porto Rico; it has to be a pretty good steamship, and therefore the market is very limited.

Mr. HARDY. You gave the history just now of your efforts to make a charter to carry the potato crop from Maine down there.

Mr. BULL. Yes, sir.

Mr. HARDY. And you finally wound up by getting this *Luckenbach*?

Mr. BULL. Yes, sir.

Mr. HARDY. And it was the only one you could get?

Mr. BULL. Yes, sir.

Mr. HARDY. How many others did you try to get at that time?

Mr. BULL. A number of brokers came in and said they had steamers; they mentioned steamers belonging to this combination.

Mr. HARDY. But whenever you finally tried to close a trade you were shut out, were you?

Mr. BULL. Yes, sir.

The CHAIRMAN. Who are some of the other parties from whom you tried to charter steamers and refused to charter you steamers for the Porto Rican trade?

Mr. BULL. There were a number of brokers came in; some of them mentioned some steamers belonging to the Cuban Mail Steamship Co. that were idle at the time, but they came back and said they would not charter to us nor would they sell. Then there were other boats on the market which we would like to have chartered, but we could not. Mr. Diamond had some boats, and he, as I understood, had three of his boats which were chartered by the Insular Co. with an agreement similar to the one that Luckenbach had—that he would not charter any boats to enter the Porto Rico business outside of the Insular or New York & Porto Rican Steamship Co.

Mr. HUMPHREY. Did you ever attempt to have vessels built for that trade?

Mr. BULL. We built two steamers for that trade, sir. We were obliged to. We built the *Carterton* and *Eberlan*; they were fine double-decked steamers with side ports, heavy booms, especially adapted for the Porto Rico trade in which we are.

Mr. HUMPHREY. The question I wanted to bring out was this: Did you ever meet with any refusal to construct ships for you?

Mr. BULL. No, sir; none.

Mr. HUMPHREY. It has been charged that this combination goes so far that some of the shipyards of this country have refused to even build ships if they were going to be used against these conference lines.

Mr. BULL. No, sir; we had bids from all the principal yards to build our steamers.

Mr. HARDY. I understand you built two ships because you were forced to, although ships might have been chartered?

Mr. BULL. That probably is too strong a word. We could not get ships otherwise.

Mr. HARDY. You would not build ships if you could have chartered some, would you?

Mr. BULL. No, sir.

Mr. HUMPHREY. When you had these ships built did the yards that contracted them know you were going to use them in the Porto Rican trade?

Mr. BULL. That I do not know. We did not tell anyone we were building these boats for the Porto Rican trade until they were nearly completed.

Mr. HARDY. You used the expression that you were forced to build them. How were you forced to build them?

Mr. BULL. If we had not been in the Porto Rico trade, we would have built our ordinary type of tramp, single-deck boats.

Mr. HARDY. You mean by being forced to build them that you could not charter the vessels you wanted to charter for that trade, and had either to do without that trade or build your own ships?

Mr. BULL. Yes, sir.

Mr. HARDY. Is that the way you were forced to build them?

Mr. BULL. Yes, sir.

The CHAIRMAN. You are building other ships now, are you not?

Mr. BULL. No, sir; we are not building other ships. We are waiting to see what Congress is going to do.

Mr. HUMPHREY. Waiting to see what we are going to do in regard to this bill, commonly known as the "foreign wreck" bill?

Mr. BULL. That and a free ship bill.

The CHAIRMAN. What company or concern is Mr. Diamond the head of?

Mr. BULL. I do not know. He works in close touch with Mr. Curtis, I know, of the Insular Line.

Mr. AYRES. With regard to the New York docks, is it not true that the trouble with getting docks for yourself in New York is not because the city will not lease them to you, but because the city is short of docks, has not docks enough for the traffic?

Mr. BULL. In answer to that, Mr. Ayres, I would say that if the railroad companies would just take the amount of space they needed and wished to use only, there might be more space.

Mr. AYRES. Yes; but, Mr. Bull, is it not true that there are 20 or 30 applications now on file for docks that the dock commissioner can not supply?

Mr. BULL. I believe there are a good many.

Mr. AYRES. So that the city itself is not discriminating against you, is it?

Mr. BULL. No, sir; but if a railroad company should take three times as much dock space as they require and hold it, so as to keep others out, of course the city can not help that.

The CHAIRMAN. Why can not the city help it?

Mr. BULL. Well, I do not know; you can not refuse either a railroad or a steamship company; you can not prevent them from hiring as much——

The CHAIRMAN (interposing). If one steamship company wanted to lease all the docks in New York, there is no ordinance there to prevent it, although they know——

Mr. BULL (interposing). That I do not know, but I have thought that the railroad companies hold more dock room than they can use. As a matter of fact, the Baltimore & Ohio Railroad Co. rent part of their dock to us at a very high price.

The CHAIRMAN. Then one method of shutting out competition is to lease the city docks, is it?

Mr. BULL. Yes, sir. Of course, we can go to Brooklyn.

Mr. HUMPHREY. If you were operating a line that was prorating with the railroads, or, to put it another way, if you were in the combine, do you think you would find any trouble about getting the railroads to furnish you room to load your vessels?

Mr. BULL. Not at the outport, certainly. I do not think we would; not at the outports.

The CHAIRMAN. Mr. Bull, did you not in 1911 lease boats from the Insular Line?

Mr. BULL. No; we never leased boats from the Insular Line. The Insular Line does not own any boats. It charters its boats from Luckenbach & Diamond, and I do not think there are any others.

The CHAIRMAN. Did you charter any boats from the New York & Porto Rican Steamship Co.?

Mr. BULL. Previous to our entering into the Porto Rico business we did, and they chartered ours.

The CHAIRMAN. But that has not been true since you have entered into the Porto Rico business, has it?

Mr. BULL. No, sir; they have refused to charter us steamers. We have tried to charter their idle steamers since. They have refused to charter them to us.

The CHAIRMAN. How long have you been in that business?

Mr. BULL. Since the spring of 1911.

Mr. AYRES. You say that the combination steamers parcel out, or you think, at least, that they parcel out the different trades among themselves, like the Mallory Line and the Porto Rican Steamship Co. Do you know of any incidents where the Mallory Line, or the Clyde Line, or the Ward Line, or the New York & Porto Rican Steamship Co.—that is, Mr. Mooney's line—have changed their trades since they entered into this combination? I mean this: Do not these steamship companies, which were originally built up independently and operated certain trades, do they not still continue to operate the same trades they used to operate when they were independent?

Mr. BULL. Yes, sir; they do.

Mr. AYRES. So that, as a matter of fact, since they entered the combination they really have not, perhaps, parceled out their trades any differently from their original trade?

Mr. BULL. No, sir.

Mr. AYRES. They are just operating the trades they used to operate?

Mr. BULL. No, sir; several steamship lines have since been formed to enter competition with them, and they have invariably gone into bankruptcy.

The CHAIRMAN. Luckenbach operates a good many boats, does he not?

Mr. BULL. Yes, sir.

The CHAIRMAN. Does he operate any to Porto Rico?

Mr. BULL. No, sir; except as chartered to the Insular Line. That is a part of his contract that he should not.

The CHAIRMAN. A part of his contract is that if they will lease his boats that he will not operate boats himself to Porto Rico?

Mr. BULL. Part of the contract is that he should charter a certain number of boats—I think it is three or more, maybe more—to the Insular Line, with the understanding that he will not himself enter into the Porto Rico business and that he will not charter any of his remaining boats to anybody in the business.

The CHAIRMAN. They give him a high charter rate in consideration of that agreement, do they not?

Mr. BULL. I presume they do.

The CHAIRMAN. Do you know what the rate is?

Mr. BULL. No; I do not know exactly what it is. I know what they offer me if I would enter into the combination.

The CHAIRMAN. When you want to charter boats from them, do they offer to charter them to you on the same terms?

Mr. BULL. Yes, sir; they did, sir.

The CHAIRMAN. That is, they charter the boats on condition that you would not enter them in the Porto Rico trade; is that the fact?

Mr. BULL. They offered to charter three of our steamers if we would quit the competition and agree that we would not charter any of the rest of our boats to Porto Rico or engage in the Porto Rico trade.

The CHAIRMAN. As part of the consideration that you would not enter into the trade, did they not offer you a higher charter rate than would have been the ordinary rate?

Mr. BULL. Yes, sir.

The CHAIRMAN. How much higher?

Mr. BULL. At that time I should say it was a couple of thousand dollars more a month. Rates have very much advanced since.

Mr. HARDY. For one ship or for all your ships?

Mr. BULL. What?

Mr. HARDY. That much higher than the customary rate for just one ship?

Mr. BULL. For three ships.

The CHAIRMAN. Tell the committee if there has been an advance in the freight rates between ports on the Atlantic seaboard and Porto Rico in the last few years.

Mr. BULL. There has been no advance in the last few years.

The CHAIRMAN. But since you have entered into the trade there has been a sharp cut?

Mr. BULL. Yes, sir.

The CHAIRMAN. When does that cut take place?

Mr. BULL. When did it take place?

The CHAIRMAN. When does it take place—is that in force now?

Mr. BULL. Yes, sir.

The CHAIRMAN. On all cargoes, or simply when you have vessels in port?

Mr. BULL. It is only when we have vessels, as you will see by the circulars and cards. I want to read one of them to you:

Only when Bull has a steamship on the berth or in the week of Bull's sailing.

The CHAIRMAN. Read us what it says [handing package to witness, heretofore marked and introduced as "Exhibit 49"].

To all ports in Porto Rico for which the A. H. Bull Steamship Co. accept freight on any steamer we guarantee that our net rate to the same ports by a steamer sailing in the same week will be as low as or lower than the net rates accepted by the A. H. Bull Steamship Co. on freight carried by them in that week to such ports.

This is a positive guarantee, and will be in effect until further public notice.

That is May 1.

The next is May 15, which says:

To all ports in Porto Rico for which the A. H. Bull Steamship Co. accepts freight on any steamer we guarantee that our net rates to the same ports by a steamer sailing in the same week will be 5 per cent lower than the net rates accepted by the A. H. Bull Steamship Co. on freight carried by them in that week to such ports.

The CHAIRMAN. Which line is that?

Mr. BULL. That is the Insular Line. You have the circulars there—one circular where he says they will be 50 per cent, 60 per cent, and then 70 per cent. Then, here is the one of 1911.

Mr. HARDY. Those circulars were sent to patrons of yours?

Mr. BULL. Yes, sir; sent to our friends; otherwise we could not get them.

As the Bull Steamship Co. have failed to keep their promise of a sailing June 10, please note that rates by our steamers sailing on June 10 (as per separate sailing card) will be our regular tariff rates.

[Referring to another paper.] That does not mention rates.

On July 12:

Having heard from several sources that the Bull Line have told shippers that we could not or would not have a steamer to sail next week in competition with their steamship *Ruth*, please note the following: Our steamship *Harry Luckenbach*, now in port, will sail next week for San Juan, Mayaguez, Ponce, and Arroyo, and will accept freight, in accordance with permits, at a discount of 60 per cent. as stated in our circular of July 12. Sailing cards giving exact date will be issued to-morrow.

We further announce that in the next week in which the Bull Line have a sailing we will also dispatch a steamer, on which we will accept freight in accordance with the permits, and the rate of discount will be 70 per cent from the Porto Rico Line tariff rates. Conditions as per our circular of July 12.

Mr. GREENE. Whose name is signed to that?

Mr. BULL. The Insular Steamship Co. Here is one issued by the New York & Porto Rico Steamship Co. November 13, 1911:

The steamship *Santurce* will sail on November 25, taking cargo for Guanica, Jobos, Arroyo, Humacao, and Yabucca.

Signed by "V. K. Hull, general freight agent," for the New York & Porto Rico Steamship Co. And then in the margin here:

Will take cargo at the 70 per cent discount rate.

Then, I have the bills of lading, which will show at that time and other times they took freight at the 70 per cent discount.

Another one, of the New York and Porto Rico Steamship Co., April 22:

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *Coamo*, May 4, for San Juan, Mayaguez, and Ponce.

And the Insular Line, May 7:

We beg to advise that we will accept cargo at reduced rates for San Juan, Mayaguez, and Ponce.

And then the Porto Rico, May 7:

We beg to advise that we will accept cargo at reduced rates for sailing of steamship *San Juan*, May 18, for San Juan, Mayaguez, and Ponce.

Then, May 18, the Insular Line again at reduced rates, and so on, right through to November 22.

Mr. HARDY. Do you know whether they had any arrangement between these different companies to prorate losses on these ship freight rates?

Mr. BULL. No; I do not.

The CHAIRMAN. How did you manage to get any business under those conditions?

Mr. BULL. Because the Porto Rican people are wise enough to know that as soon as we go off up goes the rates and losses have got to come out of them. That is one reason.

Mr. HUMPHREY. I am going to ask you if you have ever called the attention of the Department of Justice to these advertisements or to the action of these lines that are running in competition with you?

Mr. BULL. No, sir. Of course, we gathered this matter up with the intention of putting it into the hands of our counsel.

Mr. HUMPHREY. Into the hands of who?

Mr. BULL. Of our counsel; and we spoke to the New York & Porto Rico people on the exchange about it, and their reply was that I had been as bad as they were, because I had signed the bond to keep out of the business for 10 years.

Mr. HUMPHREY. I do not think myself that is a violation of law.

Mr. BULL. What?

Mr. HUMPHREY. I do not think myself that is a violation of law; the violation of any such agreement.

Mr. BULL. And so we heard there was going to be an examination here, and we thought we would wait until this examination occurred.

Mr. HUMPHREY. I think, in the interest of the public, you ought to bring the action of these lines to the attention of the Department of Justice.

Mr. BULL. We might do so after you gentlemen get through.

Mr. HUMPHREY. They ought at least to be more decent in their attacks, so as not to be so public. They ought to be prosecuted for that, if for no other reason.

Mr. BULL. And you see by the advertising the fact that when the Bull Line has a rate it is 70 per cent. otherwise it is the regular rate. They advertised that as soon as we get Bull out of the way the regular rate will apply.

Mr. HARDY. One of the circulars show that because you had broken your promise, on the same date they withdrew their special rates?

Mr. BULL. Yes, sir.

The CHAIRMAN. I am inclined to adopt the Bull methods.

Mr. HUMPHREY. They ought to be prosecuted for indecent exposure in this case.

The CHAIRMAN. While we are paying so much attention to the prosecution of these foreign steamship companies for violation of the Sherman antitrust law, we had better wash our own linen right here at home, I suspect.

Mr. HARDY. Especially these railroads.

Mr. HUMPHREY. After all, I must say that I would a little bit rather be robbed by our own people. If we want to be robbed I would prefer that Americans get the benefit of it.

The CHAIRMAN. I would rather be robbed by a foreigner, because I have no right to expect anything of him, but I am entitled to expect better things of home folks.

Mr. HUMPHREY. Are all these lines, Mr. Bull, of which you speak, under the American flag?

Mr. BULL. Sir?

Mr. HUMPHREY. Are those lines of which you speak under the American flag?

Mr. BULL. They could not go to Porto Rico otherwise, because it is a coastwise port. I hope, Mr. Chairman, that my son will be called, because he has gone—he visited the president and the head officials of these railroads in an effort to get them to prorate the loss and let us in.

The CHAIRMAN. We will be sure to have him.

Mr. HARDY. But you know what excuse the railroads give for prorating with other lines and refusing prorates with you?

Mr. BULL. I think my son can answer that question. Anyway, he can answer it more nearly than I can.

The CHAIRMAN. You referred to having long-time contracts with all of these shippers?

Mr. BULL. Yes, sir.

The CHAIRMAN. Did you not?

Mr. BULL. Yes, sir.

The CHAIRMAN. That is, shippers from Porto Rico?

Mr. BULL. No, sir—well, we are under a sort of a contract with one of the shippers to Porto Rico, I think, for three years. I think we are under a contract for three years; that is a detail of business which I leave entirely to our vice president.

The CHAIRMAN. Can you give us a copy of that contract?

Mr. BULL. We should hate to do so, for we would not like our competitors to see it—certainly—understand we have nothing to hide. We simply want to protect our business. We do not want to advertise it so that it can be used against us.

The CHAIRMAN. Is that the only way to protect yourself against this combine?

Mr. BULL. That is the only way to protect ourselves.

The CHAIRMAN. I say that is one of the ways you have of protecting yourselves?

Mr. BULL. Yes, sir; we are getting a higher rate of freight to Porto Rico than either of our competitors on a great many things.

The CHAIRMAN. Simply because you are giving them uniformly a lower rate than your competitors' tariff rates?

Mr. BULL. We give it.

The CHAIRMAN. And just as soon as your competition is withdrawn then they restore the old rate, which is higher than is the rate you give them in your long-term contracts?

Mr. BULL. Their own cards will show that.

Mr. HUMPHREY. The contract shows it is a restraint of trade. I doubt whether the committee ought to make it public.

The CHAIRMAN. I would not want to disarm them entirely. They can help us.

Mr. HUMPHREY. I do not think we want to do it.

Mr. THAYER. Is it your opinion that when Shakespeare wrote "All places which the eye of heaven visits are ports and happy havens" that he did not have in view this combination of the steamship companies?

Mr. BULL. Yes, sir; and other combinations.

The CHAIRMAN. Are there any other questions of Mr. Bull? Mr. Bull, what do you regard as a remedy for this condition? Have you any suggestions to make to the committee?

Mr. BULL. Compel the railroads to make one rate from interior points to the seaport to all steamship companies.

The CHAIRMAN. What about through bills of lading?

Mr. BULL. And to give them equal privileges at the terminals.

The CHAIRMAN. What about through bills of lading; are they given now?

Mr. BULL. In some cases, but generally a through bill of lading is given; in some cases there are two bills of lading given.

The CHAIRMAN. That is all right between the shipping lines and the railroads, but take the condition between our ports and Porto Rico.

Mr. BULL. Yes, sir.

The CHAIRMAN. Have you anything to suggest in the way of legislation to prevent the methods that are resorted to to shut you out from Porto Rico and to prevent competition?

Mr. BULL. Well, I think that is something up to our legislators to find the methods. I can not tell just what you could do at Porto Rico.

Mr. AYRES. Mr. Bull, you would not be inclined toward an interstate or rather a commerce commission which would supervise the rates as the Interstate Commerce Commission does?

Mr. BULL. We would welcome it. That would be one of the ways that I had not thought of. We would welcome it.

Mr. AYRES. Do you think that would produce a good result?

Mr. BULL. Yes, sir; I think that would be an excellent thing.

The CHAIRMAN. What do you say if the law should compel all these lines engaged, whether in our domestic or foreign commerce, to file their agreements with the Interstate Commerce Commission?

Mr. BULL. I should think, myself, it would be a good plan; but there again I would like to have our vice president, who is our traffic manager, speak for the company. I should think it a good plan.

The CHAIRMAN. Is there anything else, gentlemen?

Mr. HARDY. Just another question: Do you think it would be desirable to prevent any steamship line from taking any shipment at a lower than a compensatory rate? In other words, to take shipping at a loss on that particular shipping?

Mr. BULL. No; I do not think that, because there are times—I know shortly after the panic we had to carry freight at a loss in order to keep our crew working. I called the engineers and captains together, and I said, “Now, here we are running at a loss. Are you willing to take less wages and keep going?” They said they were. We kept her going. Afterwards we made it up, and made up the wages too.

Mr. HARDY. Still you realize that the powerful combination can drive you out of business if they are allowed to cut completely under the cost of carriage?

Mr. BULL. They have never succeeded in doing so yet.

Mr. HARDY. You have not been in this business but two years this time, have you?

Mr. BULL. I have been in this business since 1863.

Mr. HARDY. But this particular Porto Rican trade; you have only been in that two years?

Mr. BULL. No; I was in the Porto Rican trade—yes; I was in the Porto Rican trade since about 1870, when we started.

Mr. HARDY. Then you had to finally compromise and sort of stay out and sign a bond?

Mr. BULL. We had to compromise, but we went in on equal footing.

Mr. HARDY. Still you compromised? It was a hard fight you had, and you found your best way out was to compromise?

Mr. BULL. In compromise——

Mr. HARDY. You were at it, and the end was not yet?

Mr. BULL. Yes, sir. I do not think you could make any law to prevent a man taking the freight at a loss. It would be optional with him to take what rate he thought best. He might make a loss on carrying the cargo outward for the sake of getting out of a port, and then make his profit on the homeward freight; that is frequently the case.

Mr. HARDY. I know you have been accustomed to the privilege of doing absolutely as you pleased.

Mr. BULL. Yes, sir.

Mr. HARDY. But the result of this action has been to indicate an independent man under the killing, is it not?

Mr. BULL. Yes, sir; that is true.

Mr. HARDY. So that there is only you alone—to drop into my friend’s historical reference, “Out of all the prophets of Israel, there seems to be only Elijah alone left.”

Mr. BULL. That may be true.

Mr. HARDY. Maybe there are 7,000 others; I do not know.

Mr. BULL. But I do not see—I should welcome any law at all that is going to help the greatest number, because we would get our share of it.

Mr. HARDY. You would like to see fair competition?

Mr. BULL. Fair, square dealing.

The CHAIRMAN. You are willing, in other words, to fight one line but you do not like to fight a whole combination?

Mr. BULL. That is right, sir.

Mr. GREENE. Mr. Bull, I understood you to say that the combination offered you a charter rate of \$2,000 per month?

Mr. BULL. About that, sir.

Mr. GREENE. In excess of the regular rate, if you would stay out of the Porto Rico trade?

Mr. BULL. Yes, sir.

Mr. GREENE. What percentage of the regular rate is the \$2,000?

Mr. BULL. Well, you see, that is hard to make a comparison at, because the Insular Line would charter our steamers at a lump sum, and then they or the Porto Rican Co.—they both made me the same offer—then they would take the cargo at certain rates, do you not see? What I mean to say when I talk about \$2,000 more, I mean about \$2,000 more than I could go out and charter our boats by the month as they chartered them.

Mr. GREENE. What percentage is \$2,000 of the amount you could go out and charter those boats for?

Mr. BULL. Oh, what percentage? It is about 20 per cent.

Mr. GREENE. Then, they offered 20 per cent above what might be the regular rate?

Mr. BULL. About that; yes, sir.

Mr. GREENE. That is gross or net?

Mr. BULL. That is net.

Mr. GREENE. And did so for the purpose of keeping you or having you out of the trade—the Porto Rican trade?

Mr. BULL. Yes, sir; that offer has been made to me several times.

The CHAIRMAN. Is there anything else to be asked of Mr. Bull? [After a pause.] You may be excused.

Mr. BULL. Thank you. I would like to make this further statement, that naturally these cards, etc., are of great value to us. It cost us a good deal of effort to get them, and therefore we want them all well kept.

The CHAIRMAN (to the clerk of the committee). Let your files show that they were submitted by Mr. Bull.

TESTIMONY OF HERBERT BARBER, PRESIDENT BARBER & CO. (INC.), 17 BATTERY PLACE, NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give the committee your name in full, and your address, also the business in which you are engaged, Mr. Barber, please.

Mr. BARBER. Herbert Barber, Englewood, N. J., and my business at present is with Barber & Co. (Inc.), steamship agents and steamship owners, at 17 Battery Place, New York.

The CHAIRMAN. Please give the committee the areas which your line is engaged in business.

Mr. BARBER. The what, sir?

The CHAIRMAN. The areas.

Mr. BARBER. Areas?

The CHAIRMAN. Yes, sir.

Mr. BARBER. We run steamers from New York to Havre and Dunkirk and the Bristol Channels. That line is entirely our own property, and we run it with chartered boats. We run steamers from New York to China, Japan, and the Philippines. That line is our own line. We run partly the boats we own and partly the boats that are owned by friends of ours in England, for whom we load the

steamers on commission. We load boats from New York to the River Plata, and the River Plata back to New York, with steamers that are owned by ourselves, chartered by ourselves, or berthed with us by our English friends. We load steamers from New York to South Africa, which is the Union Clan Line, which line is owned jointly by the Union Castle Mail Steam Packet Co. (Ltd.), of London and Glasgow.

We also operate steamers all over the world under charter. We are continually in the market for both chartered and rechartered steamers, and we sometimes have as many as 20 or 30 chartered steamers running, besides the boats we are running in our regular lines.

The CHAIRMAN. Well, do you run boats from New York to points on the west coast of South America?

Mr. BARBER. Not now. We did for awhile, but we do not run any now.

The CHAIRMAN. Do you run boats in any other trade; for instance, Mexico or Central America?

Mr. BARBER. Not regularly. We are running one or two boats at present to Brazil, but not on our own account, but on account of the people in Brazil who have asked us to charter them and we load them.

The CHAIRMAN. Do you run any to ports on the north coast of South America?

Mr. BARBER. No; we do not load any for South America, except to Rio de Janeiro, and in an exceptional case to the River Plata.

The CHAIRMAN. Tell the committee the corporate name of your company.

Mr. BARBER. Barber & Co. (Inc.), under the laws of the State of New Jersey.

The CHAIRMAN. And who are the officers of your company?

Mr. BARBER. I am president of the company, James Barber is vice president, Frank Wilson is vice president, Oakley Wood is treasurer, and Edward J. Barber is secretary.

The CHAIRMAN. What is the capitalization of your company?

Mr. BARBER. \$200,000 of common and the same amount of preferred. We have about \$70,000 of preferred stock issued.

The CHAIRMAN. Are your vessels under the American flag?

Mr. BARBER. We very seldom operate any vessels under the American flag. We have at present only one steamer owned by the Porto Rican companies you have heard a great deal about this morning. We have the *Corozal*, one of their steamers, under charter that took a cargo of oats to Tripoli, which was the first American flag ever seen there this century.

The CHAIRMAN. We will take up the trade to Argentina and back. Tell the committee if your company is a party to any agreement or agreements or any understanding with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States and Argentina?

Mr. BARBER. We do no passenger at all; never have. So please eliminate that. But in freight we have an understanding. There is no written agreement whatever in the River Plata trade. We have an understanding with the lines that are loading from New York.

The CHAIRMAN. Mention the lines that you have the understanding with.

Mr. BARBER. We have an understanding with the Lamport & Holt Line, with the Houston Line, with the Prince Line, the New York & La Plata Steamship Co., and there is supposed to be an understanding also with the Nerton Line, but it is a very vague and shadowy understanding.

The CHAIRMAN. And what is that understanding?

Mr. BARBER. That we will make rates in common as far as we can.

The CHAIRMAN. And as between yourselves, your rates will be the same?

Mr. BARBER. As near as we can get them; yes.

The CHAIRMAN. From New York to the River Plata?

Mr. BARBER. Yes.

The CHAIRMAN. What is the agreement between your lines with reference to the rates from the River Plata to New York?

Mr. BARBER. Well, that is an arrangement made in the River Plata.

The CHAIRMAN. Well, what is it?

Mr. BARBER. By our agent. We have arrangements with the Lamport & Holt and the Houston Lines that we will make rates in common and they give the shippers a 5 per cent deferred rebate if they continue their shipments during the six months. That was an arrangement that was made before we got down there, and when we commenced sharing trade with them they arranged so that we could come in there, because we had a share of the northbound business, and we had to take it as we found it or not get it at all.

The CHAIRMAN. Can you furnish the committee a copy of the agreement?

Mr. BARBER. I have no agreement. It is simply letters we have had from our agents as to what the arrangement is.

The CHAIRMAN. The rebate arrangement—you have no copy of it?

Mr. BARBER. No copy.

The CHAIRMAN. Did you ever see a copy of it?

Mr. BARBER. I never saw a copy; none was ever sent me.

The CHAIRMAN. How did you settle or adjust the rebates?

Mr. BARBER. I think the first rebates became due—this arrangement only took place last year—about the end of the year, and the accounts are probably on the way up now with the debits for the rebates for the last year's business. The rebate does not cover the traffic on cereals, corn, and linseed, which are excepted, and a great deal of our traffic from the River Plate in the last year has been in cereals.

The CHAIRMAN. What does it embrace?

Mr. BARBER. Hides and wool and quebracho extracts and fertilizers, and things of that sort.

Mr. HARDY. Everything except these articles you have mentioned?

Mr. BARBER. Except cereals. There has been large exports the last two years of oats, corn, and flaxseed from the River Plate.

Mr. HARDY. Now, these merchants in the River Plate district, in order to get these rebates must sign contracts with one or more of the conference lines, must they not?

Mr. BARBER. I really do not know whether they do or not.

Mr. HARDY. Do you think there is simply a verbal understanding, or is it written?

Mr. BARBER. There may be a written understanding. I have not a copy of it.

Mr. HARDY. Could you not get us a copy of it?

Mr. BARBER. I will ask them to send a copy of it; yes. There is nothing secret about it.

Mr. HARDY. We would rather have definite information than a guess.

Mr. HUMPHREY. I think we ought to adjourn now until 2 o'clock. There will probably be a motion to take up this Army bill.

The CHAIRMAN. We will take a recess now until 2 o'clock.

A recess was thereupon taken until 2 o'clock p. m.

AFTERNOON SESSION.

The hearing was resumed at the conclusion of the recess.

The CHAIRMAN. Mr. Barber, when we took the recess you were referring to the River Plata trade. What lines are engaged in the trade from the River Plata to the United States?

Mr. BARBER. Regularly in the trade there is the Houston Line, the Lamport & Holt Line, and our line, but the Norton steamers occasionally load northbound, and Munson's boats that go out from the Gulf load northbound.

The CHAIRMAN. Are these lines to which you refer in this understanding?

Mr. BARBER. No; they are not.

The CHAIRMAN. Well, what ones are not?

Mr. BARBER. The Norton Line is not; neither is the Munson Line.

The CHAIRMAN. Do they take regularly from the River Plata to New York?

Mr. BARBER. More or less regularly; yes.

The CHAIRMAN. Is their rate different from yours?

Mr. BARBER. Frequently it is. There is no consultation between them down there.

The CHAIRMAN. How many lines are in this conference?

Mr. BARBER. Which conference are you referring to?

The CHAIRMAN. From the River Plata to New York.

Mr. BARBER. There are only three of us in the conference.

The CHAIRMAN. That is, the Prince Line——

Mr. BARBER. No; the Prince Line is not in it.

The CHAIRMAN. Lamport & Holt?

Mr. BARBER. Lamport & Holt, the Houston Line, and the Barber Line.

Mr. HARDY. What about the idea that the gentleman from New Orleans had that the Munson Line was used to sort of press down their line?

Mr. BARBER. That gentleman was a poet. He was not a steamship man. He was a good advertising agent, but a mighty poor steamship man. He did not know what he was talking about.

Mr. HARDY. Then there was nothing in that idea?

Mr. BARBER. The Munson Line is a large corporation. They operate more steamers than any American line. They have some 40 to 50 steamboats chartered at a time.

Mr. HARDY. Do you know anything about the proposition of the Prince Line to start a steamer out from New Orleans and withdrawing——

Mr. BARBER. I think it was the Lamport Line. The *Terrance* was down there, and they proposed taking some freight from there.

Mr. HARDY. Do you know anything about that proposition of going in at the time he was trying to establish his line, and being withdrawn as soon as he was driven out?

Mr. BARBER. No; I do not know anything except what I saw. It was nothing like he said. They were down there and wanted some resin to ballast their ship to New York, and they took it.

Mr. HARDY. Do you know why there should not be a line of vessels going from New Orleans to South American ports as well as from New York?

Mr. BARBER. Not if some people wish to get hold of it and run it. I think it could be done.

The CHAIRMAN. Do you not think it would be profitable?

Mr. BARBER. I think I could make a profit out of it if I were to go down there and try it, but I do not want to now.

The CHAIRMAN. In other words, you have all the tonnage your ships can carry?

Mr. BARBER. Well, practically, but it takes a great deal of attention to details to run a steamship line. I can tell you that.

Mr. HARDY. Do any of these conference lines run any regular line from New Orleans to South America?

Mr. BARBER. What line?

Mr. HARDY. Do any of the conference lines run any regular line from New Orleans to South America?

Mr. BARBER. No, sir.

Mr. HARDY. Do you think that if some independent or outsider were to attempt to establish a line from New Orleans they would be permitted to do so without a great struggle?

Mr. BARBER. Yes; there would be no worry about it at all. There is plenty of business there for them. For instance, when that Pan-American Line, as they call themselves, went in there it was simply a freight speculation scheme. That was all it was. It was not American freight steamers. They had a few thousand dollars for speculation and they went in and chartered British steamers, but there were no American vessels about it at all. They went in that venture down to South America.

Mr. HARDY. Why was it that the owners of the *Terrance* gave it out that they were going to sail from New Orleans and take on freight there?

Mr. BARBER. I can not tell you that, sir. I was not consulted about it and knew nothing at all about it. Mr. Daniels was here last week and he could tell you about it.

The CHAIRMAN. Is not this a fact: The conference lines have got the trade northward so completely covered by that agreement between themselves and the large shippers that no independent line can go in there and get a northbound cargo?

Mr. BARBER. From where?

The CHAIRMAN. From the River Plata.

Mr. BARBER. Oh, yes; they get cargo all the time northbound in the season. There are lots of steamers chartered for full cargoes of quebracho wood, corn, and flax seed, and that sort of thing.

Mr. HARDY. What was the former Congressman's name that said there was no possibility of getting—

Mr. BARBER. Mr. Douglas. Oh, he is a poet, too. He just talks for effect. That is all Mr. Douglas did. He is well known in New York.

Mr. HARDY. You think, then, that almost anybody is a poet that would start in on a line from New Orleans to South America without being in the conference with the rest of you?

Mr. BARBER. That is rubbish.

Mr. HARDY. You think there would be no obstructions put in the way?

Mr. BARBER. Not that I know of.

Mr. HARDY. Do you know whether an independent line starting out from Galveston was not killed off also?

Mr. BARBER. I never heard of anyone started there.

The CHAIRMAN. How did you happen to get into the conference yourself?

Mr. BARBER. I had to fight my way.

The CHAIRMAN. That is the way; you had to fight your way in.

Mr. HARDY. They tried to put you out before you fought your way in, did they not?

Mr. BARBER. Yes.

The CHAIRMAN. If anybody else attempted to get into that trade, they would have just the three lines to fight?

Mr. BARBER. Northbound—there was not much fighting northbound. It is not much worth fighting for northbound business. At times there is a cargo, and at other times there is not; but if the Pan-American Line knew it, it would be much better to bring their ships north in ballast than to load them out at the rates they get in Brazil. What they thought was a misfortune was a real blessing to them. They lost more money bringing a cargo than they would have by coming up in ballast.

The CHAIRMAN. That is, you mean to say that when they have a full cargo going to Brazil it was a blessing to them they did not have a cargo back?

Mr. BARBER. Yes; because the cost of loading cargoes in Brazil is so heavy there is nothing left. When I have a steamer for which I am paying \$400 hire per day, as they were, it is a most expensive thing to load cargoes.

The CHAIRMAN. And the sooner they get back and surrender the steamer the better?

Mr. BARBER. The quicker the better.

Mr. HARDY. They were gone under when they started?

Mr. BARBER. Practically; yes.

Mr. THAYER. It is an advantage for some lines to ship from Brazil?

Mr. BARBER. Anyone going into the Brazil trade must know what he is about. Brazil is the most expensive part of the world to go to. They have peculiar customs and peculiar arrangements.

The CHAIRMAN. But the conference lines grant deferred rebates on shipments from Brazil to this country, particularly coffee, it seems, do they not?

Mr. BARBER. I believe they do; yes.

The CHAIRMAN. Are you in the Brazilian trade?

Mr. BARBER. I am not. I have been there—

The CHAIRMAN. Your opinion seems to differ very much from those who have testified previously. They seem to think that is a very good trade and a profitable trade.

Mr. BARBER. Well, I tried it. I took some cargoes for Arbuckle for the South African lines once, when we were fighting with the Prince people.

The CHAIRMAN. Was not this the upshot of your effort to get in there—that they told you that if you would just cut out Brazil and go into the River Plata trade, they would let you in on that?

Mr. BARBER. There is nothing in it at all. I am loading steamships for the Brazil trade now, at the present time, in New York.

Mr. HUMPHREY. I should like to ask you a question on that Brazil trade, in view of what you stated that it is so costly to handle a trade from Brazil. If that is true, how do you account for the fact that you bring cargo from Brazil to this country cheaper than you take it from this country to Brazil?

Mr. BARBER. Who do?

Mr. HUMPHREY. The Prince Line people do.

Mr. BARBER. I do not think they do, sir. I do not know where you got that information from.

Mr. HUMPHREY. If I recollect the testimony given the other day you charge considerably more for carrying lumber down than you do for carrying coffee back?

Mr. BARBER. They get 50 cents a bag. That is the rate they get for coffee, 50 cents a bag. It is a very good freight, but looking at the expense of handling it it is not a very good rate. I would sooner have 15s. per ton for corn from the River Plata than 50 cents per bag for coffee.

The CHAIRMAN. The Lloyd Brasileiro was offering to carry that same coffee for 26 cents.

Mr. BARBER. If they got it they would find there was nothing in it. They would have to spend out all their money.

Mr. HUMPHREY. No; they would be very glad to do it now.

Mr. BARBER. That is not a business proposition—the Lloyd Brasileiro.

Mr. HUMPHREY. It is not?

Mr. BARBER. No.

Mr. HUMPHREY. Just tell us what you regard as a business proposition?

Mr. BARBER. That you should run steamers to get a profit out of them.

Mr. HUMPHREY. And get into a combination with the other fellow?

Mr. BARBER. No matter whether it is a combination or not. You run them to make money out of them.

Mr. HUMPHREY. That is the only way to do?

Mr. BARBER. That is it. You can not make money unless you do.

Mr. HARDY. As I understand you, you yourself fought your way into the combination?

Mr. BARBER. Well, I was in the combination to begin with as the agent for the Houston Line. We are speaking of the River Plata trade now?

Mr. HARDY. Yes.

Mr. BARBER. And then when Mr. Houston was going to make a change of agency we jumped first and we gave up his agency, and we started on our own account.

Mr. HARDY. What opposition did you find, any cutting of rates or anything of the kind?

Mr. BARBER. Oh, yes; they cut rates against us all the time, but we did not mind that. We knew how to deal with them. When they cut rates, there was plenty of cargo there, and we waited by and then when they were full we took stuff at a reasonable rate, and got it.

Mr. HARDY. Still you ultimately found it to your interest to come in?

Mr. BARBER. They were granting rebates, and they kept on——

Mr. HARDY. Did that prevent you from getting cargo?

Mr. BARBER. No.

Mr. HARDY. Why did you not stay out of the conference if you could beat them that way?

Mr. BARBER. We did stay out for years and made money at it.

Mr. HARDY. What made you go in?

Mr. BARBER. They came to me; I did not go to them. They dropped the two fundamental things that I objected to. We would not have rates made in London. The rates were to be made in New York, and we would have no rebates.

Mr. HARDY. You mean to say you can make more money out of the conference than you could in it?

Mr. BARBER. They lost money every year. The first year we lost considerable money, but we hung on, and the shippers stood by us.

Mr. HARDY. How came the shippers to stand by you?

Mr. BARBER. Because they recognized that we fought for their interests.

Mr. HARDY. Then when you went into the other agreement with these other lines did these shippers then recognize that you were not working for them?

Mr. BARBER. No; because we maintained our principle. We have the rates made in New York. The trouble was before that when a merchant had some freight, anything out of the ordinary way, the agents would meet and they would not give him a rate until they heard from London. They would cable to London and it would take sometimes two or three days before the man got an answer.

Mr. HARDY. Mr. Barber, on the whole, do you find that it is not to your interest to come into this conference?

Mr. BARBER. No; the Norton Line just came into the conference on fair terms.

Mr. HARDY. Do you think you are now better satisfied, being in the conference, than you were when you were fighting them?

Mr. BARBER. I am.

Mr. HARDY. Is that because you can make better money, more profits?

Mr. BARBER. We can make more money and we can make better service for our shippers.

Mr. HARDY. So then you are in favor of the combination?

Mr. BARBER. But, mind you, it must be reasonable combination. You put in the mouths of some of the people here that a conference means rebates and pooling. It does not mean anything of the sort.

Mr. HARDY. Have you got it in the River Plata trade, now coming north?

Mr. BARBER. Not southbound.

Mr. HARDY. I am speaking about northbound.

Mr. BARBER. Just disassociate one from the other. They are quite separate items.

Mr. HARDY. I am disassociating them.

Mr. BARBER. That is a mere bagatelle. The northbound business on which the rebates are paid does not amount to five or six thousand dollars per steamer.

Mr. HARDY. What have you got the rebates for?

Mr. BARBER. They have got it—I did not. They have got it with the idea that they can hold on to their general cargo shippers by it.

Mr. HARDY. That is what they have got it for?

Mr. BARBER. Yes; and I inherited that.

Mr. HARDY. Does not that ultimately mean that every man that has not got ingenuity enough to stand out must ultimately come into the combination, and that you fight every new man that wants to come in?

Mr. BARBER. That is it in a general way. You have got to fight your way in, just as a cab driver or a lighterman, if he has got a business and wants to stick to it, he has got to fight.

Mr. HARDY. Does not that mean that the combination fights every man that wants to stay out?

Mr. BARBER. As a rule.

Mr. HARDY. Do you know any exceptions?

Mr. BARBER. I do not. At times things are so busy that you do not have time to fight the other man.

Mr. HARDY. Occasionally there is a little flyer that you do not get into?

Mr. BARBER. Yes.

Mr. HARDY. And they fought you, they fought Bull, and they fought the Lloyd Brasileiro?

Mr. BARBER. Mr. Bull was not down there.

Mr. HARDY. I mean whatever trade he was in. He was not in that trade?

Mr. BARBER. You speak about the American people. The foreign people are not as bad as that, I tell you.

Mr. HARDY. How is that?

Mr. BARBER. The foreign people are not as bad as that. The American people are terrible.

Mr. HARDY. The foreigners do not fight as hard as the Americans?

Mr. BARBER. No.

Mr. HARDY. Do you think there is any difference unless it is in degree?

Mr. BARBER. We are much more polite than those American fellows.

Mr. THAYER. When you speak of a reasonable combination do you mean reasonable in the ordinary acceptation of the term?

Mr. BARBER. Yes.

Mr. THAYER. Or in the distorted sense in which it is sometimes used?

Mr. BARBER. In the ordinary acceptation of the term.

Mr. HARDY. That is, reasonable as you view it from your standpoint and your interest?

Mr. BARBER. Yes.

Mr. HUMPHREY. The combinations are reasonable in the estimation of the people that are running them, are they not?

Mr. BARBER. Not always. I have been in combinations that I thought unreasonable, and kicked about it.

Mr. HARDY. In other words, benevolent mastery of the situation is what you wanted?

Mr. BARBER. You have got to meet your shippers, your customers, and if you are going to continue the business you have got to please them—let yourself out to please them—and if you charge them unreasonable rates you will have them against you and will soon have opposition.

Mr. HUMPHREY. Suppose you have some man in South America that is shipping coffee. Suppose that he protests against the action of the conference lines. If he is a small shipper what can he do?

Mr. BARBER. He must exercise ingenuity to get around it. I do not know how that is. These difficulties are made for people to overcome. They do not have to go to Congress to get redress. They have got to find it for themselves.

Mr. HUMPHREY. Then you think if a shipper can not meet these conference lines it is his own fault or lack of ingenuity?

Mr. BARBER. That is about it.

The CHAIRMAN. Are you engaged in the trade to the west coast of South America?

Mr. BARBER. Not at present.

The CHAIRMAN. When did you withdraw?

Mr. BARBER. We withdrew in 1910.

The CHAIRMAN. What other lines were then operating to the west coast of South America?

Mr. BARBER. The same as now. There were three.

The CHAIRMAN. Name them.

Mr. BARBER. The Grace Line; Wessel, Duval & Co.; and the New York & South American Steamship Line.

The CHAIRMAN. Why did you withdraw from the west coast of South America trade?

Mr. BARBER. Well, we had differences of opinion with the owners of the line, and we preferred to be independent, to run our own business our own way.

The CHAIRMAN. Do you mean to say that when you were in the trade to the west coast of South America you were in a running agreement or understanding between yourself and those other three lines mentioned?

Mr. BARBER. No; it was not that.

The CHAIRMAN. Well, what was it?

Mr. BARBER. Well, the New York & South American Line is owned and controlled by the New York Steel Corporation, the Steel Export Corporation, and we were running that line for them. We began that on our own account. We were with them in one or two ships on joint account with them, and then ran it for their account, and there was some difference of opinion between us as to the trade, and we preferred to be independent, and gave up the line.

The CHAIRMAN. What do you know about the uniformity of rates between the lines operating to the west coast of South America?

Mr. BARBER. We used to get them as near as we could, but there was no actual conference or agreement that we could stand by.

The CHAIRMAN. What was the principal line operating to the west coast of South America in 1910?

Mr. BARBER. The Grace Line, and still is. They have by far the largest line and the most powerful interests there on the west coast.

The CHAIRMAN. At the time that you did operate with them you did have uniformity of rates, between yourselves and them, did you not?

Mr. BARBER. Well, to a certain extent we did; yes.

The CHAIRMAN. You testified in the Olcott inquiry, did you not?

Mr. BARBER. What was that, about the Steenerson matter?

The CHAIRMAN. Steenerson; yes.

Mr. BARBER. Yes.

The CHAIRMAN. You then testified that your relations with the Grace Line were very friendly, did you not?

Mr. BARBER. Oh, they were friendly, certainly.

The CHAIRMAN. And that you had an agreement with them in reference to the rates?

Mr. BARBER. Well, there was an understanding that we would not——

The CHAIRMAN. Did you not use the word "agreement"?

Mr. BARBER. I may have used the word "agreement." I do not know.

The CHAIRMAN. If you did, was that the fact?

Mr. BARBER. There was no agreement definite between us and Grace & Co. The agreement was made between the Steel Corporation.

The CHAIRMAN. You mean between them and the Steel Corporation?

Mr. BARBER. Yes.

The CHAIRMAN. That the rates should be the same?

Mr. BARBER. Yes.

The CHAIRMAN. And you were acting as agents of the Steel Corporation in carrying out the agreement?

Mr. BARBER. Yes.

The CHAIRMAN. Was there any understanding between yourself and any of the lines mentioned that you should withdraw from the west-coast trade if they would keep out of the River Plata trade?

Mr. BARBER. Nothing whatever to it. It was owing to a difference of opinion on the Argentine business that we gave up the line. The east-coast trade was to Bahai Blanca. Bahai Blanca is an Argentine port, and it was our suggestion first that we let the steamers call there. But we had contracts for Bahai Blanca with our River Plata steamers, and it was because the steel company wished us to regulate our rates to Bahai Blanca that we gave it up. We preferred to be perfectly free to make our own rates without any dictation from any company.

The CHAIRMAN. Is there any other line trading to Bahia Blanca than yours?

Mr. BARBER. The Grace Line and the New York & West Coast South American Line call in there frequently. We only call when we like. We send one or two steamers a year there, rather to keep up the connection.

The CHAIRMAN. Are you in an agreement with them with reference to that trade?

Mr. BARBER. Nothing whatever. We can make any rate we like, without any reference to them, and we do.

The CHAIRMAN. How are the rates, in fact? Are they uniform between the different lines?

Mr. BARBER. They should be, but I believe they sometimes cut without saying anything to us when they want the freight. And we can do the same with them if we want to.

Mr. THAYER. When you say you gave up that trade do you mean by that that you were forced out of the trade?

Mr. BARBER. No; we resigned as agents for the steamers. We were agents for the company.

Mr. THAYER. Were you forced out as agents?

Mr. BARBER. We were not forced out. They wished us to continue, and asked us to continue, but we simply preferred to give it up; and then they asked us if we would let one of our young men run the line for them.

Mr. THAYER. Could you have continued if you had done what they wanted?

Mr. BARBER. Oh, yes; certainly we could.

Mr. THAYER. That is what I desired to know.

Mr. HARDY. You could not have continued as their agents without doing as they wanted?

Mr. BARBER. Not at all, that is just it.

Mr. THAYER. That is, it is a difference of terms between them, that is all.

The CHAIRMAN. Mr. Barber, do you say that your company within two years past, has not been a party to any agreement or agreements, or any understanding or understandings with the New York & South American Steamship Co.; the Grace Line, the Wessel & Duval Co. Line, known as the West Coast Line, with reference to the passenger or freight traffic to or from the United States?

Mr. BARBER. To the west coast of South America, do you mean?

The CHAIRMAN. Yes.

Mr. BARBER. Absolutely none.

The CHAIRMAN. I believe you say that your line trades to China, Japan, and the Philippines?

Mr. BARBER. Yes, sir.

The CHAIRMAN. Tell the committee if your company is a party to any agreement or agreements, or any understanding or understandings, with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States to Japan, China, or the Philippine Islands.

Mr. BARBER. We are parties to the agreement made in London which formulated in the pooling agreement that I think you have before you now, have you not?

The CHAIRMAN. You refer to the case of United States of America, petitioner, against the American-Asiatic Steamship Co., and others, defendants, now pending in the District Court of the United States for the Southern District of New York?

Mr. BARBER. I do.

The CHAIRMAN. And Exhibits 1, 2, 3, and 4, referred to therein?

Mr. BARBER. Yes; they practically cover, with slight alterations, the agreement under which we are working.

The CHAIRMAN. These exhibits are printed beginning on page 27—

Mr. BARBER. Will you let me see them to see if we are talking about the same things?

The CHAIRMAN. They go from page 27 to page 85 of the record in that case. Do you want to look at them?

Mr. BARBER. That is the summons and the complaint that were served upon us. We have the petition all right. I think Mr. Gottheil produced them when he was here the other day.

The CHAIRMAN. Yes; have you read the testimony of Mr. Gottheil?

Mr. BARBER. Not entirely. I have not quite caught up to that. I have it here. I have read the summary in the newspapers. I have not read this printed testimony thoroughly.

The CHAIRMAN. As I understand it, you agree that the contracts printed with the Government's petition in the case referred to as Exhibits 1, 2, 3, and 4, are still in force as between your line and the other conference lines mentioned therein?

Mr. BARBER. They are.

Mr. HARDY. If you have these agreement in the China, Japan, and Philippines trade, how is it that you have not the same kind of agreements in the west coast of South America trade?

Mr. BARBER. We do not run to the west coast of South America.

Mr. HARDY. How is that?

Mr. BARBER. We do not run to the west coast. The east coast is the coast we run to.

Mr. HARDY. Where is that place you run to occasionally?

Mr. BARBER. Bahai Blanca.

Mr. HARDY. Is that on the east coast?

Mr. BARBER. Yes, sir; in the Argentine.

Mr. HARDY. You have some agreement in the east coast, then?

Mr. BARBER. We have no written agreement; we have an understanding which has been threshed out year after year until now we have got it right.

Mr. HARDY. You have got it now so it does not have to be in writing? It is well enough understood without that?

Mr. BARBER. We get along all right without that.

Mr. HARDY. Is there any reason why you do not put it in writing?

Mr. BARBER. Yes; some of these fellows are scared. I would put whatever I agreed to in writing and stand by it, but these fellows are scared. They think there is some Government bogey to scare them, and so they will not put it in writing.

Mr. HARDY. But it operates just the same?

Mr. BARBER. It does not operate just the same. For instance, the Norton Line does not come to our meetings in the River Plata trade.

Mr. HARDY. The Norton Line is just wobbling a little?

Mr. BARBER. Mr. Lilly will tell you when he comes. You can ask him.

Mr. HARDY. But so far as your line is concerned, you would just as well have a written agreement?

Mr. BARBER. We would just as well have a written agreement as any.

The CHAIRMAN. Then the fact that it is not in writing does not prevent you from carrying out the agreement between you?

Mr. BARBER. No.

The CHAIRMAN. You are also engaged in the South African trade?

Mr. BARBER. Yes, sir.

The CHAIRMAN. Tell the committee whether your company is now or has been within, say, two years past a party to any agreement or agreements——

Mr. BARBER. Twenty years ago?

The CHAIRMAN. Wait a minute. I say, a party to any agreement or agreements or any understanding with any other steamship line or lines as regards either the freight or passenger traffic to or from the United States and South African ports?

Mr. BARBER. We act for the Union Castle Steamship Co. and the Clan Line Steamers who combined and formed the Union Clan Line from New York to South and East Africa. They have a conference in London, and we act simply as agents. We take our instructions from them, and we carry them out. We, the agents of the South African lines, with the exception of the Nortons, meet every week to report as to progress of the loading of the steamers and arrange other incidentals in connection with the business. If there are any rates which want to be raised or lowered, we discuss that and make our recommendations to London, and in due course we hear whether they are acted upon favorably or whether disallowed.

The CHAIRMAN. The rates are made in London?

Mr. BARBER. They are made in London.

The CHAIRMAN. As I understand it, you have no authority to change them except on advice from London?

Mr. BARBER. We have not.

The CHAIRMAN. And these lines engaged in the South African trade have a pooling as well as rebate agreement, have they not?

Mr. BARBER. They have no rebate system now. They got scared out a few years ago. We used to have one, and they thought they would drop it, and they did drop it.

The CHAIRMAN. Did they have a pooling agreement?

Mr. BARBER. They have a pooling agreement—it has been testified they have a pooling agreement.

Mr. THAYER. Were you engaged in the South African trade a few years ago before you entered into the conference lines?

Mr. BARBER. Before we entered into the conference line?

Mr. THAYER. Before you got into the combination?

Mr. BARBER. At the start—the first steamers out to South Africa were started by Norton for Bucknell and Donald-Currie, and within a week or two weeks the Union Line and the Clan Line put on a line here and appointed us their agents. Arkell & Douglass were joint agents with us at first, and we also had a joint interest in the line to begin with.

Mr. AYRES. These are all European lines?

Mr. BARBER. They are all European lines. There was no line from here to South Africa up to this time except a few sailing vessels.

Mr. THAYER. You do not have the insuperable objection to having rates made in London in these cases?

Mr. BARBER. We used to have; a little while——

Mr. THAYER. Let me finish my question. You did not have the insuperable objection to having the rates made in London on this trade that you had in your other trade?

Mr. BARBER. No. We did make them here for a little while while the fight was on. We had to make them here, as the fight went along; but the fight did not last long before the people met in London in conference, and it has been so ever since.

Mr. HARDY. Mr. Barber, what per cent of the companies do you represent—what per cent of their capital in America? Have you ever investigated that feature of this?

Mr. BARBER. Except our own steamers we have not got any American capital in the lines.

Mr. HARDY. In none of the lines that you refer to?

Mr. BARBER. No; I think all the lines are European capital.

Mr. HARDY. European corporations?

Mr. BARBER. Yes.

Mr. HARDY. But are there no American stockholders?

Mr. BARBER. I think not.

Mr. HARDY. How much American capital is there in your line or lines?

Mr. BARBER. It is almost all American capital; there is very little British capital in that.

Mr. HARDY. I believe you said you have \$200,000 of stock?

Mr. BARBER. That is Barber & Co. (Inc.). Each of our steamship companies are separate companies.

Mr. HARDY. How much American capital is there in your steamship companies?

Mr. BARBER. Oh, I should think, probably, \$250,000.

Mr. HARDY. In your steamship companies?

Mr. BARBER. Yes.

Mr. HARDY. Is that more than one company?

Mr. BARBER. Two companies.

Mr. HARDY. And only \$250,000 capital in it?

Mr. BARBER. Yes. We have three steamers or, rather, we have four steamers—three steamers which were intended for the China Line and one for the River Plata Line.

Mr. HARDY. Are all your steamers separately incorporated?

Mr. BARBER. One is separately incorporated and the other three belong to one company.

Mr. HARDY. You have not yet adopted in full, then, the idea of incorporating these steamers separately?

Mr. BARBER. It is not necessary.

Mr. HARDY. Except in case of liability or loss; something of that sort.

Mr. BARBER. That is protected in another way.

Mr. HARDY. That was Mr. Gottheil's suggestion?

Mr. BARBER. Well—

Mr. AYRES. Mr. Barber, with regard to the trade with the Orient, Japan, and the Philippines—is your purpose that when the Panama Canal is opened to change your line and use the canal?

Mr. BARBER. I think we shall. I think that the Japan end of it will be run through the Panama Canal—perhaps Japan and Shanghai and Manchuria, and for Singapore, the Philippines, and Hongkong, I think we can get just as well off through the Suez Canal.

Mr. AYRES. Mr. Barber, you said a while ago that all your boats, excepting one, were sailing under foreign flags.

Mr. BARBER. Yes.

Mr. AYRES. If you use the Panama Canal and were given some kind of a differential on account of sailing under the American flag, would you change to that flag?

Mr. BARBER. It depends upon how much it amounted to. We would have to look into the matter. To sail under the American flag as our laws are would cost you a good deal more than to run under the foreign flags. I think you could not get our laws changed to fit in with the rest of the world. It is a question of what you would save in canal dues, and whether it would offset what we would save in running our ships.

Mr. AYRES. How many tons are your boats as a rule?

Mr. BARBER. Our steamers as a rule carry about seven or eight thousand tons.

Mr. AYRES. And if you used the canal and had a differential of \$1.20 a ton?

Mr. BARBER. That would be per ton on the net and would not be on the carrying capacity.

Mr. AYRES. It would give you a differential on each trip of somewhere about \$7,000 to \$9,000.

Mr. BARBER. The net tonnage of the ship is only about 3,000 tons.

Mr. AYRES. So it would give you a differential of about \$4,000.

Mr. BARBER. That is all.

Mr. AYRES. Would that be sufficient to induce you to change your boats to the American service?

Mr. BARBER. It might, but there would not be much in it.

Mr. HUMPHREY. A few more questions along the line I was pursuing a while ago. Now, the testimony has been before this committee, I think universally, that a great many vessels coming from South America—that is, the east coast of South America—to this country, come in ballast?

Mr. BARBER. Yes; a great many do.

Mr. HUMPHREY. What is that?

Mr. BARBER. A great many do.

Mr. HUMPHREY. Yes; I think the testimony is almost universal that there is not much trouble in getting cargoes going in that direction.

Mr. BARBER. Southbound?

Mr. HUMPHREY. Yes; southbound. What is puzzling me, in view of that fact, is the statement I asked you about a while ago, that the rates are higher going down than they are coming back.

Mr. BARBER. That would be one good reason, because the steamers want the cargoes coming back.

Mr. HUMPHREY. Because they want what?

Mr. BARBER. Want the cargoes coming back.

Mr. HUMPHREY. Would not that have a tendency to make it where you had such small trade as that, where the smaller amount of trade the less you carry it for; is not that something unusual?

Mr. BARBER. No; it is not. Why, for instance, the trade from this country to Europe is much heavier than the trade westbound, and for that reason we bring over cheap stuff from Europe to New York to ballast our ships out, and so coming up from the Plata we took 10 shillings a ton northbound, whereas we were getting 25 cents on the stuff going down.

Mr. HUMPHREY. I want to read you a little statement from Mr. Lowry's testimony here and see whether you think this is true or not. He says:

We are paying about \$8 a ton on coffee, when we are paying about \$11 a ton on lumber down there. Now, lumber is a commodity which costs very much more to handle than coffee. We heard Mr. Schlecta say yesterday in regard to this triangular course; I made a note of it at the time. I think he said that this triangle was from New York to Europe, Europe to South America, and South America to New York; that that was about the trend of freight. Well, that may be of high-class freight. I do not know anything about high-class freight, but it looks to me as though the trend was just the opposite to that—from Europe to New York, from New York to South America, and South America to Europe. I think his own argument shows that. He had 32 steamers leaving 100 per cent full last year, and he brought very little coffee back in. Also, if I remember right, the Prince Line declared a dividend of 7 per cent in 1911, and they carried our products down and bring coffee back.

Going further over, and talking about the same thing, he says:

In addition to that, as I stated, the freight on coffee up is about \$8 now, when they have raised the rate, while \$11 has been obtaining a ton for lumber going down. So it looks very much as though he was wrong about that particular angle of the triangle, anyway. We will now talk about the other. The effect of it is this: The merchant of the United States and the manufacturer has to pay 40 or 50 per cent more to send his goods down there than the Englishman does.

Mr. BARBER. That is not so. The rate from this country to South America is about the same and often less than it is from Europe. There are quite different commodities to deal with, and the return business is a business very costly, and there is not much of it, and the ships in the trade would like to get it, and they get it and bring it up.

Mr. HARDY. Whose testimony was that?

Mr. HUMPHREY. The testimony of Mr. Lowry. Now, is not the very purposes of your rebates and combines to keep the coffee rate from being cut from that country to this?

Mr. BARBER. I am not in the coffee business, and I can not tell you what their object is, except as an expert I have been trying it myself. I know about the coffee business, that the more you do of it the less it pays you, unless you can get a big rate. Say Arbuckles would pay 25 cents back for all cargoes from Santos and Victoria and Rio to New York. You go and take that freight and carry it and discharge it and pay your expenses, and you have nothing left, but it is all gone in expenses. They take about 12 or 14 cents a bag from you before you leave Brazil.

The CHAIRMAN. Do you say there is also a European conference in the South African trade? Where does that conference—

Mr. BARBER. In London.

The CHAIRMAN. And what lines are in that conference?

Mr. BARBER. You mean the conference—New York steamers or the European steamers?

The CHAIRMAN. The European conference.

Mr. BARBER. I could not tell you all the lines in the European conference. There are lines in that European conference that are not represented in the American business at all.

The CHAIRMAN. The American lines and the European lines to South Africa are all in the same conference, are they not?

Mr. BARBER. No; they are in separate conferences.

The CHAIRMAN. A separate conference?

Mr. BARBER. A separate conference.

The CHAIRMAN. Who is the London representative of the conference to which you are a party?

Mr. BARBER. The cables are sent to Messrs. Bucknell & Co.—the Bucknell Steamship Lines (Ltd.).

The CHAIRMAN. I understood you to say that while they had a pooling agreement they did not have a deferred rebate agreement.

Mr. BARBER. That is so; they have none.

The CHAIRMAN. Could you not furnish us a copy of the pooling agreement?

Mr. BARBER. I have not got it.

The CHAIRMAN. Are your relations such with your partners or associates in that conference that you could procure us a copy?

Mr. BARBER. I will ask them for it, if you wish, certainly.

The CHAIRMAN. You can do it, can you not?

Mr. BARBER. I can.

The CHAIRMAN. And you will do it?

Mr. BARBER. And I will do it; certainly.

The CHAIRMAN. We will be pleased to have it. You referred, also, I believe, to the boat in the trade to Dunkirk and Havre.

Mr. BARBER. Yes.

The CHAIRMAN. A while ago you said your line, I believe, has a capital of \$250,000. That would not buy many ships, of course.

Mr. BARBER. No.

The CHAIRMAN. That would not enable you to own many ships. Do you charter ships principally?

Mr. BARBER. We charter ships very largely; yes.

The CHAIRMAN. What ships do you run between New York and Havre and Dunkirk?

Mr. BARBER. Oh, whatever ships we can get—any sort of ships.

The CHAIRMAN. What conference are you in in the European trade?

Mr. BARBER. None.

The CHAIRMAN. You mean to say that those are tramp ships?

Mr. BARBER. They are tramp ships; yes.

The CHAIRMAN. And they are not in any conference or pool with any other shipping line?

Mr. BARBER. No.

The CHAIRMAN. Do they run regularly?

Mr. BARBER. Regularly; once or twice a month we send a ship.

The CHAIRMAN. What is the character of their trade?

Mr. BARBER. The character of their cargo?

The CHAIRMAN. Yes.

Mr. BARBER. Oh, grain, lubricating oil, cotton, lumber, and various manufactured articles, machinery, and things of that sort.

The CHAIRMAN. Do you operate under contracts with shippers?

Mr. BARBER. We have some few contracts, not many.

The CHAIRMAN. Have you any understanding or agreement with any of the North Atlantic steamship lines that you shall only operate to these two ports in Europe?

Mr. BARBER. No; we do operate to other ports occasionally. We are loading steamers from Dundee for New York now.

The CHAIRMAN. What is the character of the freight they bring westbound?

Mr. BARBER. They bring jute and manufactures of jute. They bring granite, whisky, and various other dry goods.

Mr. HARDY. You say you have absolutely no understanding with any other ship lines—your line from New York to Havre and Dunkirk?

Mr. BARBER. There is only one other line running—the French Line. We are pretty friendly with them, but we have no understanding at all.

Mr. HARDY. But you have no understanding with the other lines that run some where else and do not go to Dunkirk?

Mr. BARBER. Oh, no; we just sent one of our steamers to Antwerp. There is one there now discharging.

Mr. HARDY. So that that line of yours is absolutely untrammelled and unconnected?

Mr. BARBER. Quite so.

Mr. HARDY. With no relations, affiliations, or understandings?

Mr. BARBER. I think with the exception——

Mr. HARDY. Of which?

Mr. BARBER. They are the exceptions that prove the rule.

Mr. HARDY. How is it that they let you live?

Mr. BARBER. I do not know—kindness of heart, I suppose.

Mr. HARDY. You are in so many trades that they just let you go on that little string. Is that the company that has got \$250,000 stock?

Mr. BARBER. No; it is stock—each of those ventures of a steamer like that is finished up when she gets through with it.

Mr. HARDY. I believe that is the company which had \$200,000 and \$200,000 preferred.

Mr. BARBER. That is our own company—Barber & Co.—they are the ones who operate these steamers.

Mr. HARDY. That is what I am talking about—these lines from New York to Havre.

Mr. BARBER. Yes.

The CHAIRMAN. Is there any community of interest in the way of ownership between the French lines and yours in that trade?

Mr. BARBER. None whatever.

The CHAIRMAN. In any way?

Mr. BARBER. None whatever.

The CHAIRMAN. You have no understanding with them?

Mr. BARBER. No; I think their idea is that some time we will have to drop out—they have a subsidized line. They are the only line we run against which has a subsidy; they have a good subsidy, the French boats.

The CHAIRMAN. But you maintain uniform rates?

Mr. BARBER. No; they take lots of stuff cheaper than we do, especially in the last few months, when rates have been very firm all around, they have kept on their rate, and they would not put the rate up.

The CHAIRMAN. Is it because they have not boats enough to carry the trade?

Mr. BARBER. Well, I think—the shippers remember how they were treated when they had only the French Line, and they would rather support us yet to have some check upon it.

The CHAIRMAN. Then there is some profit to the shippers when there is some open competition?

Mr. BARBER. I beg your pardon.

The CHAIRMAN. Then, where there is some open competition, there is some profit to the shipper, and he gets a square deal.

Mr. BARBER. I think he gets a square deal all the time, unless there is a monopoly, like there was in the French Line before.

The CHAIRMAN. And like there is in the Brazilian and River Plate trade.

Mr. BARBER. Oh, no; that is not a monopoly. Too many of us have it.

The CHAIRMAN. But it seems like you are all in an agreement.

Mr. BARBER. No; they are not all in an agreement. Some people will not ship over our lines and some others will not ship with them, and some will only ship with us and not with them.

Mr. HUMPHREY. But they all have to pay the same rate, even though by a different line.

Mr. BARBER. As a rule.

The CHAIRMAN. It is Hobson's choice, after all.

Mr. BARBER. Oh, no; a real choice.

The CHAIRMAN. Is there anything in their agreement with the Government that prevents them making any arrangements with you?

Mr. BARBER. I do not think there is.

The CHAIRMAN. Are there any other questions to be asked Mr. Barber?

Mr. HARDY. I do not think of any.

The CHAIRMAN. We will excuse you, with this understanding: We do not want to detain you here for these other people, but you will be subject to call by the committee some other time, and we will notify you by letter or wire if we should wish you to return.

Mr. BARBER. I shall probably be here sometime this week or the week after. How long are these sessions of this committee going to last?

Mr. HARDY. I think the main thing we want is for him to send that pooling agreement he spoke of, if he can get a copy of that.

Mr. BARBER. Yes. There are one or two other things I would like to say, if the committee will hear me.

The CHAIRMAN. If you wish to say them before you go, we will go over and answer roll call and can be back in 30 minutes.

Mr. BARBER. If you prefer, I will wait until to-morrow.

The CHAIRMAN. Very well. We will now adjourn until to-morrow morning, at 10.30.

Thereupon, at 3.20 o'clock p. m., the committee stood adjourned to meet to-morrow, Saturday, January 18, 1913, at 10.30 o'clock a. m.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 18, 1913

No. 7



WASHINGTON:
GOVERNMENT PRINTING OFFICE
1913.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

JOSHUA W. ALEXANDER, Missouri, *Chairman.*

RUFUS HARDY, Texas.

WILLIAM B. WILSON, Pennsylvania.

CHARLES D. CARTER, Oklahoma.

HENRY A. BARNHART, Indiana.

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STEVEN B. AYRES, New York.

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CLAUDE U. STONE, Illinois.

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JOHN M. FAISON, North Carolina.

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WILLIAM E. HUMPHREY, Washington.

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ASHER C. HINDS, Maine.

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WILLIAM D. STEPHENS, California.

THOMAS PARRAN, Maryland.

H. H. GARVER, *Clerk.*

DR. S. S. HUEBNER, *Expert to Committee.*

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Saturday, January 18, 1913.

The committee met at 10.30 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Collier, Ayres, Thayer, Stone, Faison, Humphrey, and Stephens.

The CHAIRMAN. I desire to place in the record an agreement between the Prince Line and the Lamport & Holt Line and the Hamburg and South American Steamship Line, which Mr. Gerhard offered in evidence, and which is referred to on page 244 of the hearings, and which is marked as "Exhibit 33." The stenographer will note and incorporate the exhibit in its proper order.

EXHIBIT 1.

Memorandum of agreement between Messrs. Lamport & Holt, of Liverpool and London; the Prince Line, of Newcastle-on-Tyne; and the Hamburg-American Line and the Hamburg-Sudamerikanische Dampschiffahrts-Gesellschaft, of Hamburg (hereinafter called the Hamburg Lines), for the better regulation of the trade between the United States of America and Brazilian ports and vice versa. Whereby it is mutually agreed as follows:

OUTWARDS.

1. That the departure of the lines, unless otherwise mutually agreed, shall be as follows: Messrs. Lamport & Holt, 24 sailings per annum; the Prince Line, 24 sailings per annum; the Hamburg Lines combined, 24 sailings per annum; an itinerary covering the requirements of the various ports to be drawn up and agreed upon, the object and intention being that any excess of tonnage for any particular destination may be avoided.

2. Pending a basis for a pooling agreement being arrived at, a tariff of rates from New York to be drawn up and strictly adhered to without any modification whatever except as they may be altered by agreement in meeting or in writing.

3. Consideration to be given to the reestablishment of a deferred rebate system on the same lines as that in force from Europe.

HOMEWARDS.

4. From the 1st of July, 1908, the departure of the Hamburg Lines from Brazilian ports to New York shall not exceed 24 steamers per annum, and those of the Prince Line 24 steamers per annum to New York and 12 steamers per annum to New Orleans, Messrs. Lamport & Holt only to be at liberty to dispatch such number of steamers as may suit their convenience. The Hamburg Lines to withdraw their service to New Orleans, the trade to that port to be maintained only by the steamers of Messrs. Lamport & Holt and the Prince Line.

5. The rate of freight on coffee to be fixed in conference at the highest possible level, no alteration to be made therefrom except by mutual agreement. No rebates or discounts of any kind whatsoever to be given or allowed except

such as may be provided for hereafter. The rates of freight on all other articles, excepting on sugar from the northern ports, also to be agreed upon and adhered to.

6. A rebate system to be established on the same scale as that presently in force for Hamburg, under which all shippers will be required to confine their shipments either to the United States or to Antwerp, Rotterdam, Amsterdam, Hamburg, and Bremen, to the steamers of the parties to this agreement or to other lines which may be in conference with the Hamburg Lines in their Brazil-Europe service. An agreement, if possible, also to be come to with the Royal Mail Co., the Chargeurs Reunis, or other lines under which the shipments to Havre and London may be brought within the same rebate system.

7. In the event of any of the parties to this agreement starting a service in which they have not already been engaged previously, and by which they are entering into competition with any trade in which any of the other parties to this agreement are at present engaged, it will be competent for any party whose trade may be so interfered with to withdraw from this agreement forthwith.

8. Should any unforeseen contingency arise not contemplated under this agreement, the same shall be taken into consideration, and, if possible, provided for.

9. Should any claim be made under this agreement by any one or more of the parties hereto in respect of any alleged breach by any other party or parties, the matter shall be referred to the decision of two arbitrators in London, one to be appointed by the party or parties claiming or objecting, as the case may be, and the other by the party or parties against whom the claim or objection is made, with power to such arbitrators to appoint an umpire, and the decision of the said arbitrators or umpire shall be final and binding upon all the parties hereto.

10. This agreement shall commence as from the date hereof and shall remain in force until the 31st December, 1913.

Dated in London 14th February, 1908.

BALLIN LOESER,
For the Prince Line.
JAMES KNOTT,
Managing Director.
TH. AMSINCK. CROPP.
LAMPORT & HOLT.

Signed by Mr. Knott subject to the confirmation of the Price Line abroad in regard to the duration clause. Failing such confirmation, the agreement, so far as the Prince Line is concerned, to run for one year, say, to 30th June, 1909, subject to six months' notice of termination, always expiring on 30th June in any year.

J. K.
B. L.
TH. A.
N. L. H.

We will hear from Mr. Barber. Mr. Barber, is there anything further you wish to say to the committee?

TESTIMONY OF M. HERBERT BARBER—Continued.

Mr. BARBER. I should like to speak briefly on the subject on which I was examined yesterday. The trend of the examination of myself and my confreres by some members of the committee seemed to imply that our combinations and our rebates and our pools were cramping and preventing the proper expansion of the American trade. I respectfully submit, sir, that if you will look at your consular reports, both for South Africa and for the River Plata, you will find that the American trade in those districts has increased the last five or six years far greater than that of any other country. Trade with China has not, for the reason that the political troubles there considerably checked the trade of the country, as you can easily imagine, therefore in the trade with China for the last two years there has not been such

an advance as in the other parts of the world, but it is not peculiar to American trade, it affects the whole trade of the world.

Several of the witnesses have spoken as if the foreign flags were subsidized and these subsidies inured to our detriment. The freight steamers that we handle under the American, under the British, Norwegian, Danish, Dutch, and Austrian flags do not get one penny of subsidy. The Norwegian marine, especially, has increased wonderfully in the last 20 years without one penny of subsidy, and they go all over the world and do the trading for other people.

The CHAIRMAN. Why is that?

Mr. BARBER. Because they buy their steamers where they please, where they can get them the cheapest; they do not build them themselves; they know how to man their steamers and sail them cheaper than other nations. France is the only nation we come across that we charter that do pay subsidies, but the result of that is so absurd—the amount they pay their ships and the results they get for it is so absurd—that it makes subsidies a laughing stock.

The CHAIRMAN. By subsidies do you mean freight ships?

Mr. BARBER. The French ships.

The CHAIRMAN. Freight ships?

Mr. BARBER. French freight and passenger ships, and they have all these heavy subsidies.

The CHAIRMAN. As I understand it the French pay the largest subsidies of any nation?

Mr. BARBER. I think they do.

The CHAIRMAN. And with the poorest results?

Mr. BARBER. Yes. It has also been stated by some of the gentlemen here, who ought to know better, I think, that the flag of the steamer works for the benefit of the trade of the nation that the steamer belongs to. Now, the true commerce of the world is world-wide. We have very few American merchants in the true acceptance of the term. I will instance, if you please, that if you go to a little place called Remscheid, a manufacturing town in Germany, you will find a large building in the center of the town owned by the firm of Hasenclever. In the west end of London, near the theaters, near the Haymarket and around there, you will find, in a building, an office where an Irishman, born in Scotland and who lives in London, has an office similar to the one I have mentioned in Remscheid, Germany. That man is named Agar. In the city of London there is a similar office conducted by a firm named Drysdale. These people are distinct from one another, but they are all engaged in the merchandising business on the River Plata. These men at first shipped their own products of their own country out there, but they found that the products of other countries were wanted. They go to Germany—the Englishman does and so does the Irishman—and to Austria, and the German goes to England to buy his stuff, and they have found the American agricultural implements were required and they have found their way into the Argentine, but they do not, as you might imagine, sell from their own store and get the money and send it home. They have an immense establishment down there, each of these people, covering almost a block of land, where they show implements from all over the world. These immigrants who come out from Italy and Spain and France to settle on the

farms there are without any money; they have nothing but their right hands and their families with them; they go and get a piece of land, and these firms—they are specialists—they have their supply and they supply those men with their implements, with their seeds, with their mules, and with their lumber to build their houses, and with their barbed wire to fence their fields, and they make a good profit.

They sell to these men and wait until their harvest is sown and reaped, sometimes two or three years before they get their money back, but they come over here to this country and go to the harvester companies and they buy 20,000 and 30,000 tons of harvesters from them, and they go to the plow companies and buy their plows, and they go to the thrashing-machine people and buy their thrashing machines. All these things they send out. They make their own freight arrangements with several ships and send this material out to their own people, who deal with the natives. They pay for those implements when they get them from the American manufacturers, and in due time they get a good profit out of it. Those people are merchants. Do you think that the flag of the ship, or the flag of the manufacturer, would affect them at all? You can see plainly enough that it does not. You ought to know well enough that commerce is not a trade; that the commerce of the world, as it is now, is a profession, and the men who can handle—we have some merchants of that sort here, Mercer & Grace, who send out their representatives; they are one of the typical sort. There is also Mr. Farrell, of the steel company. The Standard Oil Co. and the steel company do more export trade with these countries than a hundred commission merchants. They have increased their exports of steel to China and Japan, where several years ago we never got 500 tons of exports a month. The exports this month to China and Japan amounted to 22,000 tons, which they have tendered to us to carry. If the Standard Oil Co. and the steel company were not in existence, we could not send two steamers a month to China and Japan, where we now send five. I think that due credit should be given to people, to whom credit is due, but the flag has not the slightest influence with the world-wide merchant. Mr. Grace will charter any ship he can get at the lowest price, and he knows well enough that the flag has no more effect on the bulk of the trade he does than the color of the paint on the ship.

Mr. STONE. One of the first witnesses suggested that one reason we were not having trade in South America was that the press dispatches from Paris and European ports to South American countries prejudiced those people against the United States and in favor of the products of those countries?

Mr. BARBER. How then is it that the trade has increased so much all these years? That is not so, sir.

Mr. HARDY. That may be so to this extent, that every man pushes his own wares and decries the other man's wares, and the individual interests in Europe may decry the interests in America; is not that so?

Mr. BARBER. It is not so. I have shown you that the German and the Irishman come here to buy hundreds and thousands of tons of our products.

Mr. HARDY. That may be true, and at the same time they may talk to those people and tell them that they had better buy through them?

Mr. BARBER. Yes; buy through him, he wants to do the business with the country.

Mr. HARDY. I have been maintaining persistently just what you say now, that a man who wants to buy something wants to get it where he can get it the cheapest, regardless of the nationality, and regardless of where it is made.

Mr. BARBER. Exactly.

Mr. HARDY. And we trade with those people who make it to our financial interest to do so?

Mr. BARBER. That is so. Then it was made to appear as if these combined lines in New York were oppressing any line that started, especially anyone which started from the Gulf. I could tell you a little story about what happened with reference to the first steamers which went down from New York to the River Plate. Messrs. Hasenclever & Ager came to us and to our confrères. When the line from New Orleans was advertised and seemed to be a fact they were going to send a cargo, and Messrs. Hasenclever & Ager came to the lines in New York and said: "Now, these people are making this harvester company a 12-cent rate from New Orleans against your 16-cent rate from New Orleans. We do not want you to break your rate, but we think you ought to give us a chance to use that rate, especially if the harvester company can get $3\frac{1}{2}$ cents per hundred differential in their favor to New Orleans." We asked them how much they wanted to ship. They thought they would like to ship 2,000 tons each. "Very well," I said, "we have no objection if you will ship 4,000 tons." "But," they said, "we will not do it unless you will give us a man to go down to New Orleans and see that the cargo is properly handled and stowed. We do not want any of these newcomers to go and make a hash of our cargo at the other end." Well, sir, we gave them that. A man from our docks went down to New Orleans and saw the cargo stowed. So much for the oppression. That is absolutely what took place, and it can be verified by their own papers down in New Orleans.

Now I come, perhaps, to a little dangerous point; that is, the question of rebates and pooling. I am an American citizen; I have lived in one house for 33 years, and I am a member and an officer of a golf club, a men's club, and the Episcopal Church, and I am a pretty reputable citizen where I live; at the same time, I am not ashamed to say that I have paid rebates, and I am now a member of a steamship pool, and I can justify my position to my neighbors and to you, gentlemen, if you will listen to me for a minute or two.

The word "rebate" has been very much distorted in this country. The word "rebate" in this country is thought to be some sort of a sneaking bribe, a sort of a bribe a railroad man offers to the shipper or a shipper will extort from a railway company, or it is perhaps worse; it is perhaps thought to be stealing, a rake-off that a corporation will exact from a carrier on the goods of the other man that is shipping. You will find nothing of that sort in the steamship business, except it may be possibly in the Australian trade. My friend, Mr. Douglas, if you may probe deep enough, you will find something of that there; but as far as South America, China, Japan, and South Africa, you will find nothing of that.

Our rebates to China started this way: In March one year, without putting on any string or any extra charge to the people, we said to them, "Now, if you will confine your shipments to the associated lines"—I think there were four or five of us—"during the coming year we will, at the end of six months, return you 10 per cent of your freight, beginning with what you have paid us since the 1st of January." That seemed to appeal to them as a good idea, and they thought they would try it. They took it, and paid it regularly. Sometimes when trouble arose, and they began to ship over other lines and over other routings, the question would arise whether we should pay it or not. I would say, "Oh, let them have it," and they got the money. There never has been a cent held back. They had the right to ship by way of the Pacific, which was competing with us all the time. We went on that way for several years, then this trouble arose here, and the court decisions seemed to class rebates and treat them something like petit larceny, and the Englishmen got scared and said, "We will not continue this; there may be trouble." So we said, "Very well; if you do not want to pay it we will stop it," and we simply told the shippers. From this time on there have been no rebates. Who did you benefit by that action; who is going to benefit by your action?

Mr. HARDY. When did you make that change and tell them there would be no rebates thereafter?

Mr. BARBER. I think it was in February of 1910, or 1911, perhaps.

Mr. HARDY. And there have been no rebates since then, do you say?

Mr. BARBER. There have been no rebates since then.

Mr. HARDY. In what trade was that?

Mr. BARBER. The China-Japan trade, east bound, from this country.

The CHAIRMAN. When did that cease in the African trade?

Mr. BARBER. Before that, when the Thompson case came on.

Mr. HARDY. That is all in the east-bound trade where you stopped the rebates?

Mr. BARBER. Yes.

Mr. HARDY. Did you stop the rebates in the west-bound trade?

Mr. BARBER. No; the west bound is not our business; it is their business over in London; they pay it. And I wish to say, I think you will not find a single merchant who will come here and tell you he objects to it.

The CHAIRMAN. That is, the fellow that gets it will not object; but how about the fellow on the outside?

Mr. BARBER. There is no fellow on the outside. They are all in it.

The CHAIRMAN. It is a part of the contract that they shall ship by the conference lines. You know some men do not like to give up their liberty for 10 per cent.

Mr. BARBER. Well, they need not take the 10 per cent, then.

The CHAIRMAN. That is the condition, though, on which they surrender their rights to exercise their liberty, is it not?

Mr. BARBER. They need not take it. It is a voluntary contract on their part.

The CHAIRMAN. Do they not do it under coercion, under certain exactions?

Mr. BARBER. There is no coercion about it. Where is the coercion?

The CHAIRMAN. They must ship by your conference lines and must ship at your conference rates, and the conference rates are so high

you can very well afford to pay the 10 per cent to head off competition, can you not?

Mr. BARBER. It is not so, I think. You will find the conference rates are always fair and reasonable, because, as I said yesterday, we have to keep our business. If we oppress people we soon lose our business.

Mr. WILSON. If your standard rates are just and equitable, how does it come you have to give a rebate of 10 per cent from those standard rates?

Mr. BARBER. Well, for this reason, that we can operate our ships better under a rebate system than we can if we have not got it.

Mr. AYRES. You offer a rebate for the express purpose of keeping the business, do you not?

Mr. BARBER. Yes; so we can have volume of business; so we can work our business to save the ports.

Mr. AYRES. Unless you enforce the rebate it really is not a rebate; it is nothing but a discount from your rate, is it not?

Mr. BARBER. That is what it really is, practically, and what these merchants recognize it to be.

Mr. AYRES. But when you do enforce the rebate, it is unjust, is it not?

Mr. BARBER. When do we? You can not find anyone who will come here and say that the rebate is unjustly enforced anywhere.

Mr. AYRES. May I ask you what golf club you are a member of?

Mr. BARBER. The Englewood Country Club.

Mr. AYRES. The Englewood course is a very long course, is it not?

Mr. BARBER. Yes, sir.

Mr. AYRES. Long holes in it?

Mr. BARBER. Long holes in it.

Mr. AYRES. If three or four fellows were playing golf on that course and one was getting a drawback when the round was over at the stroke of the hole, what chance would the others stand?

Mr. BARBER. I think they could give me a hole and beat me. I can not attend to golf as well as I can to steamships.

Mr. HUMPHREY. You say you know of no men who want to ship who are protesting against the rebate system. I have received some very vigorous protests from the Arbuckle Co. the last three or four years, protesting vigorously against your rebate system and stating that the conference lines had absolutely refused to carry any portion of their coffee unless they would enter into a rebate contract with them.

Mr. BARBER. I am not in the Brazil trade or in the coffee trade, and I only justify the rebates in our own trade, in the way we have to do with it, and the way we work it, and if you can find any shipper in our trade who will come and tell you he is dissatisfied, all right.

Mr. HARDY. In every trade in which you give rebates, you require the shippers to sign agreements that he will give you his entire trade, do you not?

Mr. BARBER. I beg your pardon, we never ask a man to sign any such an agreement.

Mr. HARDY. If you do not ask him to sign it, you carry that same thing into effect, and as a matter of fact in most of the trades they do sign those agreements, do they not?

Mr. BARBER. I do not think it is so, sir.

Mr. WILSON. Do you not notify them that is the condition on which they can get a rebate?

Mr. BARBER. That is so; yes.

Mr. HUMPHREY. What is the difference whether they sign it or not? It is all conditioned on a monopoly, is it not?

Mr. BARBER. If a man should sign an agreement, he would be breaking his agreement if he goes away and does something else. But he does not have to sign an agreement; he comes and asks for his money, says he did not ship by any other lines and wants his money, and he gets it.

Mr. HARDY. In other words, you make it a condition of the rebate that he ships by you, do you not?

Mr. BARBER. Yes; which condition is frequently abrogated.

Mr. HARDY. And you arrange your rates so that, taken with the rebates, your rate will be reasonable?

Mr. BARBER. Yes; that is the idea. Now in regard to the pooling. Pooling, you would imagine, was something like grand larceny or burglary, the way it is referred to around here, but you know the decisions as handed down by the courts declare that pooling, as long as it is reasonable, is lawful.

Mr. HUMPHREY. According to the decisions of the courts in this country, it is a crime, is it not?

Mr. BARBER. I beg your pardon, sir; in the Thompson case, which was heard in the New York Federal court, Judge Hazel decided the question as to whether the pooling was reasonable or unreasonable was not left to the jury; that if it was pooling it was unjust and in restraint of trade, and that the verdict must be for the plaintiff. We appealed that, and the judge, on the appeal, held that the judge in the lower court was wrong in so charging the jury; that he should have left it to the jury as to whether or not it was a reasonable or unreasonable restraint, and the case was sent back for new trial, and there we are now. Therefore, pooling, if it is reasonable, is lawful and just.

Mr. HARDY. Can you give a distinction as to why one pooling agreement would be reasonable, and another not? Pooling just means that the parties engaged in the business divide their earnings on some particular scale, whatever is agreed on. Why should one be reasonable and the other not be reasonable, taking two different poolings?

Mr. BARBER. The pooling of two different railroad companies, which had a franchise, and nobody could ship except by them, and by which pooling arrangement they could put their rates up that certainly might be unjust and unreasonable and in restraint of trade, but when there is pooling between steamship companies who pool for the reason that if they pool they can make a much more regular service. Take 10 men who own 50 steamships, they can arrange their service so as to fit in and let one stranger go to four ports and another to four ports, or each steamer go to eight ports, and each steamer can leave practically on time and not wait to get all the best of the cargo.

Mr. HARDY. Your final conclusion on this question, then, is that pooling between steamers is reasonable, but that pooling between railroads is unreasonable?

Mr. BARBER. I do not form any judgment or pronounce one on railroads. I only say that so far as steamships are concerned, pooling is reasonable.

Mr. HARDY. I took your own illustration.

Mr. BARBER. I do not say it is; I say it might be.

Mr. HARDY. But no pooling between steamers could be unreasonable?

Mr. BARBER. Oh, there might be unreasonable pooling between steamers.

Mr. HARDY. What kind of pooling between steamers could be unreasonable?

Mr. BARBER. It might be.

Mr. HARDY. Can you give us, as an illustration, an unreasonable pooling agreement? All of them would be reasonable that you could possibly imagine, would they not?

Mr. BARBER. I will tell you, as far as we are concerned in the line of the pooling——

Mr. HARDY (interposing). You never, however, saw a pooling agreement where this was done to raise the rates to an exorbitant degree, to such a degree that we would have an unreasonable rate?

Mr. BARBER. You are quite right, sir.

Mr. HARDY. Your pooling agreements always recite just simply the agreement to divide earnings?

Mr. BARBER. And if you found our pooling agreement——

The CHAIRMAN (interposing). State what your pooling agreements are.

Mr. BARBER. You have all the pooling agreements in the record there, and I am quite willing to show to you or to your expert the pooling statement with the China-Japan Line for the last year or so; how it works out; how we can avoid conflict on ports and how, when a press of freight occurs in one place, we can provide for it by sending a steamer down to take care of it instead of every one grabbing the best freight and leaving the poor freight for another man. The business is all parceled out and the merchants are satisfied.

Mr. HARDY. As I understand you, the reasonableness or unreasonableness is not in the agreement itself, but in the way it is executed?

Mr. BARBER. There may be something in the agreement itself that may be unreasonable.

Mr. HARDY. What can you imagine in a pooling agreement that would be unreasonable?

Mr. BARBER. If there was something in the pooling agreement which would shut out certain ports, not calling there at all, and requiring that part of the trade to be transhipped to another port, that would be an unreasonable arrangement, so far as that port was concerned, but as long as we are willing to serve all ports in the East, as we are with our service, it is a reasonable arrangement.

Mr. HARDY. Then, if you had some pooling arrangements, or something of that kind, which leave the Gulf ports out and ship nothing from there, is that unreasonable?

Mr. BARBER. It would be, yes; but there is nothing in that, as I can show you.

Mr. HARDY. Nothing in the agreement?

Mr. BARBER. There is nothing in the execution either, because we went down and helped the New Orleans man load his ship.

Mr. HARDY. As a matter of fact, did not some of you advertise you were going to carry freight from New Orleans when steamers were advertised by Mr. Lowry, and then draw out after he stopped?

Mr. BARBER. Any line started attracts people's attention to it. You can not get any patent right on the steamship business, unfortunately. Directly you get a good thing, somebody else comes alongside of you and takes his share of it, and so those people at the Pan American, they could not keep that to themselves, if it was a good thing. Tom, Dick, and Harry can go in and put a steamer alongside of them and run down there, and you can not say they should not do so.

Mr. HARDY. I do not wish to take up the time in argument, because we want the testimony.

Mr. BARBER. As far as the far East is concerned, it is simply a question of either pooling or monopoly, you will either have to have a gigantic monopoly to hold your ships and give proper service, or this competing service steps in.

Mr. WILSON. What is the difference between a pooling arrangement and a monopoly in its effect upon the trade?

Mr. BARBER. A monopoly would have only one head. There is no question whatever in this case; you have got 10 different shipowners, who have friends among all the merchants all around.

Mr. WILSON of Pennsylvania. A pooling arrangement to use if they can not come together and determine the situation within the pool?

Mr. BARBER. Yes.

Mr. WILSON of Pennsylvania. Would it not have the same effect on the trade if those men were in one single corporation?

Mr. BARBER. No, sir; I think not. I think 1 man might be oppressive, but you will not find 10 men who would. In 10 men you will find some who are willing to do what is fair by their fellow men.

Mr. WILSON of Pennsylvania. What would be the difference between those 10 men being the directors of the monopoly or being the 10 owners of shipping lines that entered the pool—difference of effect?

Mr. BARBER. These shipping lines do not continue the same forever; they are always changing around. One goes out and the other comes in. These things do not remain the same all the time, but if you have a monopoly of one thing you would have it right under your eye.

Mr. HARDY. I would like you to explain the difference Mr. Wilson suggests, whether if you had 10 shipowners all in one combination or the monopoly of 10 men as directors, what would be the difference?

Mr. BARBER. These 10 shipowners have all comparatively a small share in the component pool. Other shipowners come along who want to get into the pool or get into the trade and frequently they let him in. They say: "Come along—come in."

The CHAIRMAN. There would be more wisdom in 10 heads than in one?

Mr. BARBER. Yes; and in the case of the Manchurian Line or Bucknell's they started against us to eastbound and westbound. They are in the pool westbound. They are not in the pool eastbound. Now, the westbound pool works much more smoothly and

we give better service to the shippers and the consignees to the west-bound than the eastbound because of that one dissension. That one line is not pooled. They want to get all they can, and we want to get all we can for our ships. We hang up our ships to get special freights or special ports and we do not give as good service east-bound as westbound, owing to that rift in the pool.

Mr. AYRES. What you hold, then, is practically that a pooling arrangement that the managers conducted fairly and honestly, with due respect to the rights of the shippers, is really beneficial to the trade as long as it is conducted honestly—like Government regulation?

Mr. BARBER. It is sir; that is so.

Mr. AYRES. But you will also admit that the danger in it is that it might not always be conducted honestly and, if it were not, then it would be very prejudicial, perhaps?

Mr. BARBER. Then they would always have their rights. I never found a shipper but what could get his rights if he had any injustice to suffer; he would find his way to get at his rights.

Mr. HUMPHREY. Mr. Barber, has not the same argument that you have been making been made in favor of every monopoly in this country?

Mr. BARBER. I really do not know. I have not read all the arguments of other monopolies. I only know my own business and I speak about my own business.

The CHAIRMAN. Is there anything further?

Mr. BARBER. I do not think I will detain the committee any longer this morning, sir. I would like to put in, as far as Argentina is concerned, the record of the tonnage loaded from New York to Argentina during the years 1910, 1911, 1912 is not quite ready yet, but it will be ready in a few days, and I can let you have copies then.

The CHAIRMAN. Will you just please give the totals to the stenographer?

Mr. BARBER. It shows 1910 133 steamers were dispatched from New York against 111 in 1909; 151 steamers went in 1911, and 157 in 1912. The tonnage was also increased.

Mr. HUMPHREY. The total tonnage?

Mr. BARBER. The total tonnage.

The CHAIRMAN. The total number of steamers in 1911 was 151, compared with steamers in 1910, 133; the total registered tonnage for 1911, 668,370 tons; total registered tonnage for 1910, 582,282 tons; total estimated tons of cargo for 1911. 938,192 tons; the total estimated tons of cargo for 1910. 748,535 tons; total number of sailings, New York to Argentina, 1912, 157.

Mr. BARBER. That list was made out the same as the previous list. In the course of a few days I will send down to the stenographer a copy of it.

The CHAIRMAN. I notice the total registered tonnage for 1911 is given as 668,370 tons, while the total estimated tons of cargo for 1911 is given as 938,192. Now, explain the difference there.

Mr. BARBER. The registered tonnage is the tonnage of the steamer, which is space divided by 100; the arbitrary tonnage is supposed to be one of a hundred cubic feet. Into 800 cubic feet we sometimes put 2 tons of cargo.

The CHAIRMAN. The actual——

Mr. BARBER. So the steamer with the 3,000 tons registered will frequently charge 8,000 tons of cargo, but some of the tons may be weight tons—condensed weight and some light tons of 40 cubic feet, but you will also notice that the list includes some steamers that do not take their entire cargo to the Argentina. Some will take their cargo to the west coast, for the bulk of their cargo, and simply call on the Argentina with part of their cargo; other steamers call at Brazil on the way down and deliver part of their cargo there, so that the tonnage only represents what actually goes to Argentina—tons of cargo.

The CHAIRMAN. In other words, the actual cargo capacity of vessels oftentimes exceeds the registered tons. It depends on the character of the cargo?

Mr. BARBER. No; it does not. The cargo capacity of all freight steamers is generally about two and one-half times their net registered ton.

The CHAIRMAN. I believe in your testimony yesterday you said you had some contracts with shippers?

Mr. BARBER. Yes, sir.

The CHAIRMAN. Have you copies of those contracts here?

Mr. BARBER. No; I will send them down, if you wish it. In fact, I laid some out on my desk and intended to bring them when I came down, but for some reason I overlooked them.

The CHAIRMAN. We will be glad if you will do so.

Mr. BARBER. I suppose I will be down next week or the week after. I will proceed to let you have them before you get through with the proceedings.

The CHAIRMAN. Tell the committee whether or not you give to the large shippers and the small shippers the same rate; in other words, is there a discrimination between large shippers and small shippers in the rate given them?

Mr. BARBER. As far as the River Plata and the Far East, China and Japan, we do. We try to make the same rates to each, although sometimes we will give a man a contract rate, if he will give us his business for the entire year, and a better figure, and a man who simply ships a carload here and ships a carload somewhere else next time.

The CHAIRMAN. Do you give a man who makes you that kind of a contract the same rate?

Mr. BARBER. We do.

The CHAIRMAN. Without reference to the tonnage he may ship?

Mr. BARBER. Yes; but if we find a man—a little pettifogging man—we would not want to make a contract with him. We would not want to bind our files up with a small shipper of that kind. Any man who is a good-sized man we will make a contract with him.

The CHAIRMAN. But you will not do it for the small shipper?

Mr. BARBER. No.

The CHAIRMAN. And the small shipper will not have the same rate as the large shipper in that event. In the first place, you do not care to contract with him?

Mr. BARBER. No.

The CHAIRMAN. And in the second place, you do not give him the rate.

Mr. BARBER. Some of our contracts we will give to anyone who will only ship 10 tons for a year at the same rate as a man who ships 10,000 tons.

The CHAIRMAN. But you do not desire to contract with the small shipper?

Mr. BARBER. I do not; we do not.

The CHAIRMAN. No.

Mr. BARBER. But the River Plata conference is not in black and white—simply a verbal understanding between ourselves—and what might be done in one office may not be done in the other.

The CHAIRMAN. I understood you to say yesterday the agreement is just as effective as if it were it writing and under seal.

Mr. BARBER. Yes.

Mr. HARDY. Do any of your lines ever give a contract for less than 10,000 tons?

Mr. BARBER. Oh, yes; we even give a contract for 50 tons a year sometimes.

Mr. HARDY. And give the same rates as to the large man?

Mr. BARBER. The same rates as to the large man; yes.

Mr. HARDY. You say your company does not do that?

Mr. BARBER. Not always. We discriminate some. Some people come in and try to get a contract out of us for the sake of going out and exploiting it. There are people who are partly freight contractors or freight brokers or speculators who will come in and try to make a contract with us and then go out to get business for themselves and they get a brokerage off it.

The CHAIRMAN. Is there anything further? If not, you will be excused, Mr. Barber, subject to call, you understand, hereafter if we decide to call for you.

TESTIMONY OF JOSEPH T. LILLY, OF NORTON & SON, PRODUCE EXCHANGE, NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give your name to the committee, your address, and your business.

Mr. LILLY. Joseph T. Lilly, a member of the firm of Norton & Son, Produce Exchange, New York.

The CHAIRMAN. What is your business?

Mr. LILLY. Steamship agents and brokers.

The CHAIRMAN. Are you owners of ships as well?

Mr. LILLY. No; we do not own any steamers.

The CHAIRMAN. Do you employ them in your business?

Mr. LILLY. We are agents for the American-Australian Line, operating from New York to Australia and New Zealand; the American-African Line, operating from New York to South Africa and East Africa; the American Indian Line, operating to Bombay and Calcutta and other Indian ports; the American and Manchurian Line, operating to the Far East, China, Japan, and the Philippines; and the Norton Line, to Argentina and Uruguay.

The CHAIRMAN. Tell the committee if your firm or line or any of the lines, companies, firms, or lines for which you are agents, at this time or at any time in the last two or three years, have been parties

to any agreement or agreements or any understanding or understandings with any other steamship line or lines as regards either the freight or passenger traffic to and from the United States to Argentina or, say, in the River Plata trade.

Mr. LILLY. Well, the American-African Line; we work with the other lines.

The CHAIRMAN. Name what other lines they are. I am talking about the River Plata trade.

Mr. LILLY. The River Plata—no; we do not work with the others; we are independent.

The CHAIRMAN. Yours is the Norton Line in that trade?

Mr. LILLY. Yes.

The CHAIRMAN. The testimony of other agents who have been before the committee generally was to this effect, that while you are not in the conference or combination, yet there was an understanding between you and them. Mr. Barber characterizes it as a "shadowy" one. Tell the committee as clearly as you can just what the understanding or agreement is between you and the conference lines in the River Plata trade.

Mr. LILLY. We have not any understanding or agreement with the other lines in the River Plata trade.

The CHAIRMAN. Directly or indirectly?

Mr. LILLY. Directly or indirectly. They make it a point to keep us posted as to what rates they are obtaining, which enables us to know the rates without depending entirely on securing that information in the open market and from the shippers. We are under no obligation to maintain those rates. We do it so far as it suits us. We follow the market. We have frequently found when we named those rates we did not get the cargo, which means they did not maintain their own rate. As I understand their arrangement, it is nothing more than an effort to maintain rates and try and give an efficient service.

The CHAIRMAN. Do you have many boats going to the River Plata?

Mr. LILLY. We loaded 15 steamers to the River Plata last year.

The CHAIRMAN. Out of 157?

Mr. LILLY. Out of 157, which was the total loaded by all the lines.

The CHAIRMAN. Are you in open competition with them—these other lines?

Mr. LILLY. Yes; we are.

The CHAIRMAN. Do you cut their rates?

Mr. LILLY. When it suits us.

The CHAIRMAN. Do you do it?

Mr. LILLY. Yes; we have done it.

The CHAIRMAN. Have you done it during the year 1912?

Mr. LILLY. Yes; and done it during the year 1913.

Mr. HUMPHREY. Have you done it without consulting them?

Mr. LILLY. Yes; we are under no obligation to consult them.

The CHAIRMAN. If you have two steamers—one theirs and the other yours—in the port at the same time, do you mean you cut the rate on the same class of cargo from the River Plata to New York, and vice versa?

Mr. LILLY. Yes; it might be steamers at the same time, or we might cut the rate on future shipments, three or four months from

now. With the service we have we can not go out and make many large contracts with shippers. Our service is not sufficient for that. We depend more upon the smaller shippers of specific articles which come in the market. We have contracts to carry car material.

The CHAIRMAN. Which?

Mr. LILLY. Car material. We have some contracts which will keep the service which we are going to operate between now and September next going, with what cargo we pick up on the regular market—regular berth market.

The CHAIRMAN. Car material—

Mr. LILLY. Car material, knocked-down cars.

The CHAIRMAN (continuing). From this country to the Argentine?

Mr. LILLY. Yes.

The CHAIRMAN. And you charter ships?

Mr. LILLY. The line is operated on all chartered ships.

The CHAIRMAN. Just as you secure cargo for them?

Mr. LILLY. They have been chartered ahead for some time.

Mr. AYRES. Time charters?

Mr. LILLY. Time charters.

Mr. HARDY. You stated that sometimes when you named freight rates, concerning which rates these companies kept you posted, you did not get the freight?

Mr. LILLY. Frequently.

Mr. HARDY. And that that means to you that they do not maintain their rates?

Mr. LILLY. I have taken that to be the case sometimes. It might easily mean that the shipper was merely sounding us out, and preferred to give it to them.

Mr. HARDY. What reason do you think they have for posting you in their rates?

Mr. LILLY. Why, I do not suppose they want us to break their market.

Mr. HARDY. Have you got some arrangement by which they do post you?

Mr. LILLY. Absolutely no arrangement. We told Mr. Barber, "We are going it alone absolutely, and we intend to follow the market."

Mr. HARDY. And they began to furnish you the rates that they were charging?

Mr. LILLY. We do not get any rates from Mr. Barber. He apparently ignores us—probably feels our service does not amount to much.

Mr. HARDY. But you get the rates from the conference lines?

Mr. LILLY. We get them from R. P. Houston, and we would not hesitate, if we wanted any other information, to call them up and ask them what they were doing.

Mr. HUMPHREY. Tell us, then, is there a friendly feeling between you?

Mr. LILLY. Yes.

Mr. HARDY. If they call you and state to you that their rates are so and so, you immediately start to put in force those rates on your ships? But if you found you could not get the freight, would you not think they had misled you purposely?

Mr. LILLY. No; we would think the shipper preferred to give it to them. That may easily happen on any business. We quoted against them on a shipment of car material to South America. We believe we quoted the same rate as they did. The shipper they had quoted first came back to them and got them to shade their rate, and they got the business; we did not.

Mr. HARDY. Do you think that would be perfectly fair, man to man, for them to tell you they were charging a certain rate and then, when the freight came along, to cut under it?

Mr. LILLY. There is no obligation—no reason they should tell us of the cut. A man makes a firm offer. If they do not accept it, he comes to us and makes a firm offer. I do not feel under any obligation to tell them what we are doing. Rates are constantly fluctuating, and rate in morning may not be same in afternoon.

Mr. HARDY. But if you do tell them, do you not feel under some obligation to stick to it?

Mr. LILLY. No; we have not felt so. We quote that rate; we never tell them if we change the rate.

The CHAIRMAN. If I recollect the testimony of Mr. Halm, of the Houston Line, it was to the effect that the relations between your company and theirs were very friendly and that you observed the rates made by these conference lines?

Mr. LILLY. Did they say "obligated" to maintain the rates?

The CHAIRMAN. They said you did, in fact——

Mr. LILLY. We do in the majority of cases; the regular berth cargo. The shippers come in and ship by our boats at the same rate as theirs. We have shipped some of our contract car material via their steamers, because we did not have any steamer on the berth and they were short of cargo. It is common custom in the trade to exchange cargo where one is short of heavy cargo and the other short of light cargo.

The CHAIRMAN. Is there any understanding like this between you, that when there is a greater tonnage than you can take care of in the regular course of business that you may come in and charter steamers and carry the surplus cargo?

Mr. LILLY. Absolutely no understanding. We are going to load those four steamers in 1913. If we can make 15 trips, all right; if we run short and we can charter a steamer and make some profit out of it, we are going to do it; and if to charter a steamer means a loss, I do not think we will bother with it, unless we have such a contract which obligates us to provide a steamer to take care of the cargo.

Mr. HARDY. But you are going to be very careful not to get into any rate-cutting controversy with them?

Mr. LILLY. Charter cost of steamers is very high. Freight rates are comparatively low. I would naturally try to get the market rate if possible.

Mr. HARDY. You would rather wait for them to take the lead in cutting the rates?

Mr. LILLY. We are not going to cut any rates; we have all we can do to come out whole.

Mr. HUMPHREY. In other words, you are not going to fight each other?

Mr. LILLY. We are not going to fight. It might be different if there were a large profit in the business.

Mr. WILSON. Do you cultivate their acquaintance for the purpose of maintaining rates?

Mr. LILLY. For the purpose of avoiding losing money, if we can.

The CHAIRMAN. You say you do not own any ships; you simply use chartered ships.

Mr. LILLY. The steamers are all chartered.

The CHAIRMAN. Then you occupy the same relation to the combine that the fighting ship does; in other words, you are employed to keep the other independent man out—the man that may possibly cut rates?

Mr. LILLY. There is absolutely no foundation for such an impression.

The CHAIRMAN. How?

Mr. LILLY. We are not in that business.

The CHAIRMAN. Do you say that you are not?

Mr. LILLY. Decidedly not.

The CHAIRMAN. Calling your attention to the trade on the west coast of South America, what other lines than yours are engaged in that trade?

Mr. LILLY. We have not any line to the west coast of South America, and the only line of ours which touches South America is the Norton Line, running to Montevideo, Buenos Aires, and Rosario, and other points in Uruguay and the Argentine Republic, as occasion requires.

The CHAIRMAN. You have no line, then, to South American points or the west coast?

Mr. LILLY. No, sir.

The CHAIRMAN. Do you say you are engaged in other trades?

Mr. LILLY. We are engaged in the American-African, American-Australia—

The CHAIRMAN. Take the American-African trade. To what points do you trade from the United States ports?

Mr. LILLY. From New York to south and east Africa. Shall I name the ports?

The CHAIRMAN. Yes.

Mr. LILLY. Cape Town, Algoa Bay, East London, Port Natal, Delagoa Bay, Biera. Those are the regular ports of call; and the steamers frequently go to Mombasso, Zanzibar, Mauritius, and other ports up the east coast.

The CHAIRMAN. I believe you say you are agent of the American-African Line?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Is that a trade name or is that a steamship company?

Mr. LILLY. A trade name.

The CHAIRMAN. A trade name?

Mr. LILLY. Yes, sir.

The CHAIRMAN. You charter ships for that trade just like you do for the South American trade?

Mr. LILLY. No; the steamers are supplied by the Union Castle Mail Steamship Co. (Ltd.) and the Bucknell Steamship Lines (Ltd.).

The CHAIRMAN. Those are conference lines?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Is not there a joint ownership, although they sail under different names?

Mr. LILLY. Why, I should say that those two firms own the steamers; they operate under the line; they supply the steamers. We will have the Union Castle mail steamer one turn and the next steamer will be a Bucknell steamer.

The CHAIRMAN. That is very true, but while one is a Union Castle and the other is a Bucknell, do not both lines belong to the same people?

Mr. LILLY. No.

The CHAIRMAN. Do you know that to be a fact?

Mr. LILLY. Positively.

The CHAIRMAN. But they trade under a contract, do they not, and pooling arrangement?

Mr. LILLY. Yes; I understand they have a pooling arrangement with the other lines, but how they operate under the arrangement I do not know. We send our accounts for the steamer loaded for the Union Castle Mail Steamship Co. (Ltd.) to the Union Castle Mail Steamship Co. (Ltd.), and the accounts for the steamers loaded and furnished by Bucknell Steamship Lines (Ltd.) we send to them.

The CHAIRMAN. Do not they have a common office in London or do they not?

Mr. LILLY. They have separate offices in London.

The CHAIRMAN. Separate offices in London. What other lines are in conference with them in the trade with New York?

Mr. LILLY. The Union Clan Line, which Barber & Co. are agents; the Hansa Line, of which Funch-Edy & Co. are agents, and the Prince Line.

The CHAIRMAN. Mr. Gottheil is the agent, and he is representing the Prince Line.

Mr. LILLY. Yes, sir; the Prince Line, of which Gerhard & Co. are agents; and the Houston Line, of which R. P. Houston & Co., New York office, are agents.

The CHAIRMAN. Mr. Houston is the agent for the Houston Line?

Mr. LILLY. Yes, sir. R. P. Houston & Co. have their own office, and Mr. Halm is manager, and is not an agent, as we are.

The CHAIRMAN. All these lines that you have mentioned are in this South African controversy, are they not?

Mr. LILLY. Yes, sir.

The CHAIRMAN. And they are all in a pool?

Mr. LILLY. I do not know, but it is so understood.

The CHAIRMAN. And they also have the deferred rebate system?

Mr. LILLY. No, sir.

The CHAIRMAN. They do not?

Mr. LILLY. No, sir.

The CHAIRMAN. Where are the rates made in this trade?

Mr. LILLY. The rates for Africa are furnished to the agents by the principals from London, but the agents frequently and do suggest rates which are followed.

The CHAIRMAN. But they are uniform rates as between the different lines in the conference?

Mr. LILLY. The rates are all the same. What freight we can not carry on our steamer we turn it over to the next steamer, which takes it at the same rate of freight.

The CHAIRMAN. The rates may be up or down, depending on the trade?

Mr. LILLY. Yes.

The CHAIRMAN. But there is no difference in rates as between the different steamers or lines engaged in the trade?

Mr. LILLY. No difference.

The CHAIRMAN. Can you furnish us a copy of that agreement between you and these conference lines in the South African trade?

Mr. LILLY. We have not any copy, and I have never seen a copy of it.

The CHAIRMAN. Other agents and American representatives of these conference lines have made this same statement. Mr. Gerhard, I think, did so. He said he has been in the steamship business for over 40 years, and Mr. Gottheil says he represents lines running to every quarter of the globe; and do you wish the committee to understand that European principals have so little confidence in their American representatives that they do not permit them to see the contracts or agreements under which the lines operate?

Mr. LILLY. I do not think it is a question of confidence. It is not necessary for them to know anything about the agreement, so far as I know. Take the history of the line we operated, sailing vessels to South Africa. Norton & Son thought it was time to change. They felt steamers were necessary for the trade. That was in 1892 or 1893. Mr. Norton went into the market to charter. But he received a cable from London not to charter, but to wait until a representative from the Donald-Currie should come, a Mr. Chapman, and a representative from Bucknell Bros., which was the name of the firm at that time, Mr. Lloyd, should reach New York. They came to New York and said that they agreed with Mr. Norton that it was time steamers were operated from New York to South America, and asked him if he would act as their agent. Mr. Norton suggested the name American-African Steamship Line. We acted as their agent and were paid a commission for securing the cargo and loading it. They are the owners of the steamers that we operate.

The CHAIRMAN. Do you think that they would respect your request if you were to write them to send this committee a copy of those agreements?

Mr. LILLY. Why, I believe—I do not know of any reason why we should not get a copy of it. I shall write and ask.

The CHAIRMAN. Because I assume from Mr. Barker's attitude it is their opinion that they are not engaged in violation of law. We are quite sure the most profitable part of their commerce is with American ports, and the Congress has the right, we think, to be informed of the conditions under which this commerce is being carried on, and we are reluctant to assume that these contracts are bad and are in violation of law, but if they continue to occupy the attitude they do now and withhold these contracts from us I am inclined to think we will be entitled to assume and take it for granted that there are such contracts which they are not willing to see the light of day in the United States. So I would be glad if you would call on them for copies of these contracts, that the committee may have them and examine them and have accurate information as to what the relations between these companies are and between them and the shippers. I think that will be fair to them, and I am quite sure it will be fair to us.

I believe you say that in the Argentine trade the Norton Line is simply a trade name?

Mr. LILLY. The Norton Line is Norton & Sons name. We have a flag and paint a peculiar sign on the funnel of the steamers; that is about all there is to the Norton Line.

The CHAIRMAN. Is it an incorporated company?

Mr. LILLY. No; a partnership. The "Norton Line," a trade name.

The CHAIRMAN. I believe you said it does not own any steamers?

Mr. LILLY. No, sir; they do not.

The CHAIRMAN. Just charter steamers?

Mr. LILLY. The steamers are all chartered, and we fly the flag with Norton Line emblem on.

Mr. HARDY. Chartered to the Norton Line?

Mr. LILLY. Yes.

The CHAIRMAN. Did you ever try to get in this conference to the River Plate trade?

Mr. LILLY. We have deliberately kept out of it.

Mr. HARDY. Were you invited to go in?

Mr. LILLY. Yes, sir.

Mr. HARDY. Why did you not go in?

Mr. LILLY. We are not in it, we had many reasons for not joining it.

Mr. HARDY. Is it a friendly understanding between you that you can serve them better by keeping out?

Mr. LILLY. No, sir; absolutely no understanding.

Mr. AYRES. Mr. Lilly, when Mr. Daniels, of the Lamport & Holt Line, was here, he said you had been a member of the conference some time ago, but that your line simply discontinued coming around to the conferences and ceased to be a member, and that since that time he had the pleasure of taking away from you one of your largest contracts, and evidently maintained not an amiable and cheerful disposition toward your line. Won't you tell us the circumstances of why you left the conference?

Mr. LILLY. There was never any conference really, and I do not believe they have a conference now—what I would call a conference. In 1909 we were very anxious for all of the lines to get together and have some arrangement for a conference, but one would come in and another would drop out, and fussed around, and we got tired wasting time with them. We can get along, so long as rates are on a living basis. We have no difficulty in getting freight and filling our steamers, but if they had a real conference it would be the best thing for the River Plate trade.

The CHAIRMAN. The committee is just a little curious to know why you do not go in and accept the invitation to go into this conference?

Mr. LILLY. I do not know as we have got any particular reason, except as a matter of policy we have decided to stay out and "paddle our own canoe."

The CHAIRMAN. Is that all the reason you have?

Mr. LILLY. That is all the reason. We can do just as well out as we can in.

The CHAIRMAN. Under the friendly relations that exist between you and the conference lines?

Mr. LILLY. Yes; we work with them in other trades.

The CHAIRMAN. What other trades?

Mr. LILLY. The African trade.

The CHAIRMAN. Yes. Take it all?

Mr. LILLY. China and Japan trade.

The CHAIRMAN. As to the African trade you are in the pools; you agree to that?

Mr. LILLY. Yes, sir; we have nothing to say about it; we are under instructions.

Mr. HUMPHREY. Is it not a fact that your staying out of the conference—that is, nominally at least—and appearing to run independently has a greater effect toward keeping other lines from attempting to enter that trade than if you were in the combine itself? In other words, it was said awhile ago, and is it not true as a matter of fact, that your line is acting as “fighting ships,” that being the general purpose for which they are usually used—that is, you are pretending to be independent and keep on the outside and pick up any trade that they may not be able to carry for the express purpose or the purpose among other things of discouraging any real independent line from entering the trade?

Mr. LILLY. No, sir; I do not think that has any effect at all, and that is not our purpose. We have an established trade of our own. There is plenty of room for others if they desire to engage in the business.

Mr. HUMPHREY. Was not that matter——

Mr. LILLY. We have been in the River Plate trade since 1845.

Mr. HUMPHREY. Was not that matter discussed at the time this conference occurred, when you decided not to go into the conference?

Mr. LILLY. No, sir. Really, if there is any feeling about that and you gentlemen advise it, we might just as well go in. There is no agreement to stay out or stay in.

The CHAIRMAN. We are not advising you to accept the invitation; we would rather suggest to them to get out.

Mr. LILLY. They can give better service if we were all in that conference.

Mr. HUMPHREY. I will tell you what is in my mind—I do not know what is in the minds of the rest of the committee, of course, but what is in my mind is that I feel that there was a purpose to serve by you staying out of the conference, not only for yourselves, but the other members of the conference, too.

Mr. LILLY. There is no foundation for such impression. That was quite away from our purpose in staying out. If you have the impression, we can not help it.

Mr. CHAIRMAN. You say you can give a much better service by being in that conference. That being the case and you have no objection to the conference, why is it you are not all in the conference?

Mr. LILLY. You can not get any better service than we are giving unless we all pooled our issues.

Mr. WILSON. Did I understand you to say that you have nothing to say about going into the conference in the South African trade; that you are there under instructions?

Mr. LILLY. We are agents for the lines in the conference. We operate the steamers as they instruct us.

Mr. WILSON. You get your instructions from the owners of the vessels?

Mr. LILLY. Yes, sir.

Mr. WILSON. Even when you charter those vessels?

Mr. LILLY. We do not charter any vessels to South Africa.

Mr. WILSON. Do not charter them to South Africa?

Mr. LILLY. No, sir; simply steamship agents.

Mr. HARDY. The Bucknell Line and the Union Castle Line?

Mr. LILLY. Yes, sir.

Mr. HARDY. Are each one of those separate steamers under separate charters themselves—corporations—each steamship is a corporation by itself?

Mr. LILLY. I do not think so; I am not positive of that; but I do not believe that is the case.

The CHAIRMAN. You say that Norton & Son are a partnership?

Mr. LILLY. Yes, sir; a copartnership.

The CHAIRMAN. Give the names of the members of the firm.

Mr. LILLY. Edward N. Norton, Sheffington S. Norton, John B. O'Rielly, and myself.

The CHAIRMAN. Where do the members of the firm live?

Mr. LILLY. In New York State—do you want their city addresses?

The CHAIRMAN. They are all American citizens, are they?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Have you any affiliations by ownership with the Union Castle Line or Bucknell?

Mr. LILLY. We are their agents in the African trade.

The CHAIRMAN. Have you any other interest in their ships?

Mr. LILLY. No, sir.

The CHAIRMAN. No other interest in their business than simply under the pooling arrangement referred to?

Mr. LILLY. We are their New York agents; we do not know how they pool, or what the terms of the pool are, or anything about it.

The CHAIRMAN. But you have no financial interest in their lines?

Mr. LILLY. No, sir.

The CHAIRMAN. There is no joint ownership?

Mr. LILLY. No, sir.

The CHAIRMAN. What other lines or trade are there in which you are engaged?

Mr. LILLY. The American Indian Line.

The CHAIRMAN. Just take the American Indian Line. What lines are you agents for the American-Indian trade?

Mr. LILLY. Bucknell Steamship Line (Ltd.).

The CHAIRMAN. Union Castle Lines do not go to or are engaged in that trade?

Mr. LILLY. No, sir.

The CHAIRMAN. You are their agents in the trade from New York to Indian ports?

Mr. LILLY. Yes, sir.

The CHAIRMAN. What other lines operate also from New York?

Mr. LILLY. The American Indian Line is composed of two lines—the Hansa Line—operated by two lines—the Hansa Line, of which Funch-Edey & Co. are agents, and Bucknell Steamship Lines, for which we are agents.

The CHAIRMAN. Are they operated under the trade name of American Indian?

Mr. LILLY. Steamship lines?

The CHAIRMAN. Steamship lines.

Mr. LILLY. Yes, sir.

The CHAIRMAN. They operate under practically the same terms as to pooling and the maintenance of rates as the lines engaged in the South African trade, do they not?

Mr. LILLY. The rates are made here on the Indian trade, and whether or not they have any pooling arrangement I do not know, but they have some sort of a working arrangement; and reading over Mr. Gottheil's testimony, I think he said he had some Hansa, that they had fixed it up with Bucknell Bros. and were waiting for some agreement to be signed.

The CHAIRMAN. That is what he stated?

Mr. LILLY. That is my impression.

The CHAIRMAN. Is that what he stated?

Mr. LILLY. That is my impression.

The CHAIRMAN. Will you also make an attempt to get that agreement for the benefit of the committee?

Mr. LILLY. I will; yes, sir.

The CHAIRMAN. I believe you say you are also agent for the American-Australian Line?

Mr. LILLY. Yes, sir.

The CHAIRMAN. What steamers are known as the American-Australian Line?

Mr. LILLY. The Bucknell Steamship Lines (Ltd.) and the Federal National Steamship Lines (Ltd.).

The CHAIRMAN. Is the Hansa Line in that?

Mr. LILLY. Not in the American-Australian Line. The United Tyser Line is in the Australian trade, and I think Tyser & Co., or the Tyser Line, and the Hansa Line and the German-Australian Line, but Mr. Gottheil testified on that. I am not sure of the names.

The CHAIRMAN. Have you read his testimony?

Mr. LILLY. Not all of it; no sir. I glanced over some of it last night.

The CHAIRMAN. Did you read his testimony with reference to the American-Australian trade?

Mr. LILLY. Yes, sir.

The CHAIRMAN. You understand the conditions to exist substantially as he gives them in his testimony, do you not?

Mr. LILLY. Exactly, except that as far as the American-Australian Line is concerned we make the rates here.

The CHAIRMAN. Did he not so state?

Mr. LILLY. I think he said they were made in London. He may have cabled to London, as far as his line is concerned, but we make our own rates to Australia; in fact, every rate we are in, except the African trade, rates are made in New York.

The CHAIRMAN. Just tell us how that is done?

Mr. LILLY. We got hold of some tariffs they were using on the other side and we fixed our rates up to operate on the other side. That gives us a great many ships at the same rates from here as the U. K. or the Continental. When the rates from Australia to England are higher than from the Continent, we put in New York to the Continent rates, and when the rates from the Continent are higher than from England we put in the English rates, so the shipper always has the lowest rate going from the U. K. or the Continental,

it frequently happening that rates from Germany or England would be higher than the rates from New York.

The CHAIRMAN. Do you meet in conference in New York and post those rates?

Mr. LILLY. We operate that trade without, practically, any conference. We had a meeting last January and last November.

The CHAIRMAN. Who had the meeting?

Mr. LILLY. Representatives from Funch, Edye & Co. and representatives of the United States & Australian Steamship Co. If we want anything done, I call them on the telephone; if they want anything done, I say, "All right, go ahead and let me know what is done."

Mr. HARDY. You run, by adopting the lowest rates as between the English and the Continental?

Mr. LILLY. Yes, sir; that is what the shippers want, and that is what we contend with our principals shippers should have.

The CHAIRMAN. But the rates are absolutely uniform?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Your lines are the only ones engaged in that trade from New York, are they?

Mr. LILLY. Yes, sir. We are known as the direct lines. Of course if we should get our rate too high, and even at the same rates, sometimes the European lines take cargo from us and transship it; also the Hamburg and Bremen Lines.

The CHAIRMAN. Of course one of the lines in this conference can not change the rates without the consent of the other lines in the conference?

Mr. LILLY. No; they could not do that. It is an agreement on rates, but at the same time that has worked very well. If a man wants a rate changed, and he has a good reason for it, we would proceed as follows: If the U. S. & A. or Funch, Edye came to me and said that some shipper wanted a rate or can not do business on this year's rate unless he gets last year's rate; if he wanted the old rate, often we would simply change the rate. We make rates to enable our shippers to do business.

The CHAIRMAN. Do you mean you would all change the rate for him?

Mr. LILLY. Yes; I would tell him, "All right, go ahead, but let me know what you do." So that when our ship comes along we carry cargo at same rate.

The CHAIRMAN. But, there is harmony between you. Is the agreement between you in writing?

Mr. LILLY. No, sir. I cabled before I came down here, and got a reply as follows:

Tyser's Line. Received. Have informed Mr. Paul Gotthell there are no written agreements, which we can confirm.

The CHAIRMAN. What is the date of that?

Mr. LILLY. That was Thursday, the 16th.

Mr. HARDY. But do you not ever change your rates so they will be below the lowest rates from England or the Continent?

Mr. LILLY. Yes; that frequently happens. I do not recall anything specific at the moment. I think if there were any discrepancies between the American rates and the rates on the other side they

are in favor of the American rates. If our rates are higher than from Europe, our shippers learn of it through their foreign connections.

Mr. HARDY. Do you know whether they practice the same methods in Europe?

Mr. LILLY. I do not believe they do. All of our large shippers know the foreign business, and if they have any complaint we write over to our people that, while they understand the tariff is so-and-so, the shipper tells us it is not the case.

The CHAIRMAN. I understand that while there is no agreement in writing between you, yet there is an agreement, a verbal agreement or understanding between you, is there not?

Mr. LILLY. Yes, sir.

The CHAIRMAN. What subjects does that agreement embrace? Does it embrace a division of tariff, or also a division of routes?

Mr. LILLY. It would naturally embrace a tonnage arrangement—the loading of steamers. The trade is split up in this way: One steamer goes to what we call the five Australian ports, Fremantle, Adelaide, Melbourne, Sydney, and Brisbane; another goes to Melbourne, Sydney, and New Zealand. We load about 40 steamers a year, so you see there are pretty nearly 2 steamers loading all the time.

The CHAIRMAN. Does that agreement embrace a direct division of traffic and a division of routes?

Mr. LILLY. Yes.

The CHAIRMAN. Is this a verbal understanding?

Mr. LILLY. But it is always customary to do that—report to the conference that way.

The CHAIRMAN. It also provides for meeting the competition of other lines. If anybody should be hardy enough to enter into competition, you would cooperate in meeting new competition, would you not?

Mr. LILLY. I do not know what the agreement is.

The CHAIRMAN. But that is your misunderstanding of it, is it not?

Mr. LILLY. No, sir.

The CHAIRMAN. And you work the business in regulating the time of sailings between the different ports, do you not?

Mr. LILLY. We come to our principals when we want the steamers and they give them to us as the trade requires.

The CHAIRMAN. First one company furnishes a steamer and then another?

Mr. LILLY. Yes; or may furnish two together, as they have steamers to fit in, or steamers have to be chartered.

The CHAIRMAN. The effect of it is the regulation of the time and number of sailings between the different points or ports, is it not?

Mr. LILLY. Yes.

The CHAIRMAN. Does the agreement also include an arrangement by which the steamers of each company, a certain number of steamers of each company, shall be employed in the service during the course of the year—in other words, one company would not get the monopoly of the trade—you first call for a steamer of one company and then of another company, so that each one shall share in the trade equally, do you not?

Mr. LILLY. I do not know what the agreement calls for; I do not know what the understanding is. The way I handle that is, I cable over to say to-day that we want steamers for April, May, and June on about certain dates. They come back and tell us the steamers will be assigned for the American-Australian Line on certain dates, and for the Tyser Line on certain dates, and for the U. S. A. on certain dates, and they provide steamers on those dates for those different lines. It frequently happens that the lines can not arrange the steamers to maintain the schedule, and then there is an exchange of sailings.

The CHAIRMAN. But the general understanding is that the steamers of each company shall be employed in turn in these sailings, is it not?

Mr. LILLY. Yes; as far as possible; but the Australian trade is of such a character that it requires the cooperation of a number of owners to supply the service.

The CHAIRMAN. Is the annual number of sailings fixed per line?

Mr. LILLY. I do not know as you would call it the annual number.

The CHAIRMAN. For instance, take the memorandum of agreement between the conference lines in the Brazilian trade, outward voyages, there is a clause to this effect:

The departure of lines, unless mutually agreed, shall be as follows: Messrs. Lamport & Holt, 24 sailings per annum; Prince Line, 24 sailings per annum; Hamburg Lines, combined, 24 sailings per annum.

Is that the agreement in effect between your lines in the Australian trade?

Mr. LILLY. Several owners furnish the steamers and probably arrange the sailings to fit in with the position of the steamers.

The CHAIRMAN. That is what I am trying to get at. I believe you say there are no deferred rebates?

Mr. LILLY. No, sir.

The CHAIRMAN. Or other privileges or advantages to shippers?

Mr. LILLY. No, sir.

The CHAIRMAN. Do you make any contracts with shippers?

Mr. LILLY. Yes, sir.

The CHAIRMAN. Do you grant to the larger shipper a different rate than that which is given to the small shipper?

Mr. LILLY. No, sir; every shipper gets the same rate, and when we make a contract, if that rate is lower than the then tariff rate or current rate, we reduce our tariff or current rate to be the same as that contract rate, so every shipper gets it without a contract.

Mr. HARDY. Do you mean to say that if you made a yearly contract with one man you put your tariff rates down to that yearly rate?

Mr. LILLY. Yes, sir.

Mr. HARDY. Then you have one single yearly rate that would prevent you raising your rates during that year to a customer, would it not?

Mr. LILLY. Yes, sir; it has done so.

Mr. HARDY. That would destroy your right of changing your rates—just one contract would do it, would it not?

Mr. LILLY. But we do not make contracts for everything. One man makes a contract for automobiles, another for agricultural machinery, and another for lubricating oil, etc.

Mr. HARDY. So that when you make one yearly contract with reference to a certain article you can not change that rate after that to anybody else, can you?

Mr. LILLY. We do not change it. We made a contract last year for automobiles, and we raised our rates during the year 5 shillings and did not raise the automobile rate.

The CHAIRMAN. Will you get in touch with your principals—you have given us in substance what you understand to be the terms of the working agreement between these conference lines in the Australian trade—now will you be kind enough to get in touch with your principals and ask them if they will send us the terms of that agreement, whether it is in writing or not; that is, if it is the memoranda of agreement, whether written or verbal?

Mr. LILLY. Filling out that book?

The CHAIRMAN. No; just send them to us.

Mr. LILLY. The terms of the agreement; yes, sir

The CHAIRMAN. We would be very glad if they would answer the questions propounded in this book. If they will not do that we would like to have the information otherwise. What other trades do you say you are engaged in?

Mr. LILLY. The American-Manchurian Line operates to the Far East—China and Japan.

The CHAIRMAN. What lines do you represent?

Mr. LILLY. Bucknall Steamship Line (Ltd.).

The CHAIRMAN. And what other lines are engaged in that trade out of New York?

Mr. LILLY. The United States & China-Japan Steamship Co., Funch, Edye & Co., agents.

The CHAIRMAN. Is that a steamship line or is that simply a trade name?

Mr. LILLY. That is, the American-Manchurian Line, do you mean?

The CHAIRMAN. Yes; who represents the American-Manchurian Line?

Mr. LILLY. We do.

The CHAIRMAN. Is that a trade name?

Mr. LILLY. A trade name.

The CHAIRMAN. But, in fact, it is the Bucknall's, is it not?

Mr. LILLY. The Bucknall Steamship Line.

The CHAIRMAN. That you represent?

Mr. LILLY. Yes.

The CHAIRMAN. Under the trade name of the American-Manchurian Line?

Mr. LILLY. The steamers operate under the American-Manchurian Line.

The CHAIRMAN. Do different lines operate under that name, the American & Manchurian Line?

Mr. LILLY. Only the Bucknall Steamship Lines (Ltd.).

The CHAIRMAN. What other lines are engaged in that trade from New York?

Mr. LILLY. The United States & China-Japan Steamship Line, Funch, Edye & Co., agents; the Barber Line, Barber & Co., agents; the American-Asiatic Line, Shewan, Tomes & Co., agents; and the American-Oriental Line, Houlder, Weir & Boyd, agents.

The CHAIRMAN. How many of those are separate, distinct companies, owning and operating ships?

Mr. LILLY. I do not know how they operate.

The CHAIRMAN. Tell the committee, if you know, if it is a common ownership in the ships operating in this trade between these different lines?

Mr. LILLY. Bucknalls own the steamers, or charter the steamers which they operate in the American-Manchurian Line, and I could not name positively all of the owners who supply these steamers to the other lines, but that, I think, has all been furnished in the record.

The CHAIRMAN. Are they mostly chartered steamers?

Mr. LILLY. I should say that they are mostly owned steamers.

The CHAIRMAN. Does Bucknall charter most of their steamers in that trade, or do they own the steamers?

Mr. LILLY. Bucknall used their own steamers in that trade; they very rarely charter.

The CHAIRMAN. Have you read the exhibits set out in connection with the Government's petition in the case of the United States, petitioner, v. The American & Asiatic Steamship Co. et al, defendants, Exhibits 1 to 4, inclusive, beginning on page 27?

Mr. LILLY. I have read them.

The CHAIRMAN. Those agreement are now in force between the several lines parties thereto, are they not?

Mr. LILLY. I do not know. Our principles are not parties to those agreements. The first time I read the agreements I read them in that petition.

The CHAIRMAN. You cooperate with the lines who are parties to these agreements, do you not?

Mr. LILLY. Yes, sir.

The CHAIRMAN. You speak of the United States Steel Corporation doing an export business. What line do they employ in their export business, what is its name?

Mr. LILLY. To where?

The CHAIRMAN. To the Orient.

Mr. LILLY. The only steamers of the United States Steel Corporation that have anything to do with the Orient, as far as I know, are the steamers they charter and load full cargoes of steel. I understand they chartered 12 steamers last year, 12 or 15, and 12 or 15 the previous year, and they have those steamers to take care of the steel, which the regular lines operating there are unable to take care of.

The CHAIRMAN. But the name of this exporting company is given as the Steel Products Co., is it not?

Mr. LILLY. The United States Steel Products Co. is the company which does all of the United States Steel Corporation's foreign business.

The CHAIRMAN. Is that company, or the United States Steel Corporation, connected or affiliated by ownership or otherwise with the American-Manchurian Line?

Mr. LILLY. No, sir; the American-Manchurian Line was started with the contract which they secured from the United States Steel Products Co., and the American Locomotive Co., and the American Car Foundry Co., for a lot of steel rails and structural material and

cars and locomotives for shipment to Dalny. Taking that contract we started operating steamers to Dalny and other China-Japan ports.

The CHAIRMAN. Have you contracts with those corporations to-day?

Mr. LILLY. No, sir.

The CHAIRMAN. Have any of the lines for which you are agent contract agreements with any American railroad?

Mr. LILLY. No, sir.

Mr. HARDY. You say you have no agreements with any American railroads at all?

Mr. LILLY. No, sir.

Mr. HARDY. No prorating agreements for through freight?

Mr. LILLY. No, sir.

Mr. HARDY. All your freights are from port to port?

Mr. LILLY. We accept a railroad's through bill of lading.

Mr. HARDY. You charge the railroad that is shipping on a through bill of lading the same rate as you would a shipper initiating a shipment from the port?

Mr. LILLY. Exactly.

Mr. HARDY. You do not have any prorating agreement of any kind?

Mr. LILLY. No, sir.

Mr. HARDY. You do not ship from port to port in this country, but you ship all in the foreign trade?

Mr. LILLY. All foreign trade.

Mr. HARDY. I do wish to ask one other question. What property does the Norton Line own? I do not mean the chartered property.

Mr. LILLY. You mean what substantial property?

Mr. HARDY. Yes.

Mr. LILLY. We do not own any. We own the name of the Norton Line.

Mr. HARDY. You have offices and fixtures in those offices?

Mr. LILLY. Yes.

Mr. HARDY. So that substantially you are simply operators?

Mr. LILLY. Yes, sir.

Mr. HARDY. That is all.

Mr. KIRLIN. Mr. Chairman, I should like to make one request in regard to Mr. Lilly's testimony. The American-Manchurian Line is a defendant in the case to which you have referred, and one of the questions which you asked Mr. Lilly was whether he was operating under these agreements. I wish you would be good enough to ask him, as his testimony will probably be referred to in that case, whether the American-Manchurian Line pools in the eastern trade, as that is a matter involved in that case.

The CHAIRMAN. You may answer that question, whether or not the American-Manchurian Line pools in the outward trade from this country.

Mr. LILLY. No, sir; we do not.

The CHAIRMAN. With any other line?

Mr. LILLY. No, sir.

Mr. HARDY. Do you know whether it pools in the west-bound trade?

The CHAIRMAN. Here is the agreement itself [indicating].

Mr. LILLY. I did not know that that agreement provided for it, but Mr. Barber said it did.

Mr. HARDY. You said that you are not partners to the agreement?

Mr. LILLY. I do not think there is any agreement in there to which we are parties.

Mr. HARDY. That is, the Norton Line is not a party, but is the American-Manchurian Line a party to that agreement?

The CHAIRMAN. Not in terms, but he says they cooperate under it. The committee will now take a recess until 2 o'clock.

Thereupon, at 12.30 o'clock p. m., the committee took a recess until 2 o'clock p. m.

AFTER RECESS.

The committee reassembled pursuant to recess.

TESTIMONY OF MR. BOUVIER.

The witness was duly sworn by the chairman.

The CHAIRMAN. Will you please give us your name, address, and business?

Mr. BOUVIER. Vice president W. R. Grace & Co., Hanover Square, New York.

The CHAIRMAN. In what business are you engaged?

Mr. BOUVIER. Export and import business.

The CHAIRMAN. Are you merchants or agents?

Mr. BOUVIER. We are merchants.

The CHAIRMAN. Do you also operate ships?

Mr. BOUVIER. Yes; we are agents for the New York & Pacific Steamship Co., known as the Merchants Line.

The CHAIRMAN. That is, W. R. Grace & Co. are agents for the Merchants Shipping Line, and it is also called the New York & Pacific Steamship Co.?

Mr. BOUVIER. That is the corporate name of it; yes.

The CHAIRMAN. In what areas do you trade? To what countries do you trade?

Mr. BOUVIER. To the west coast of South America, and on the way we stop at two Patagonian ports occasionally.

The CHAIRMAN. Do you trade by way of the Straits of Magellan?

Mr. BOUVIER. Yes; by the way of the Straits of Magellan.

The CHAIRMAN. You do not trade by way of Panama?

Mr. BOUVIER. The steamers do not operate that way. We trade as merchants by that way.

The CHAIRMAN. I thought you transferred there. Do you trade to Panama and then transship?

Mr. BOUVIER. No; the steamers do not. Our steamers go via the Straits of Magellan to the west coast of South America.

The CHAIRMAN. What other line operates to the west coast of South America?

Mr. BOUVIER. The West Coast Line and the New York & South American Line.

The CHAIRMAN. Has the West Coast Line any other name, or what is the corporate name?

Mr. BOUVIER. The firm is Wessel, Duval & Co.

The CHAIRMAN. What is the name of the other concern?

Mr. BOUVIER. J. W. Ryan, agent.

The CHAIRMAN. That is, J. W. Ryan is agent for Wessel, Duval & Co.?

Mr. BOUVIER. No, sir; agent of the New York & South American Line.

The CHAIRMAN. Is that the name of the steamship line, or is that just simply a trade name?

Mr. BOUVIER. That is a trade name.

The CHAIRMAN. Is it any steamship company, in fact, or do they just charter vessels?

Mr. BOUVIER. They charter vessels. They are all chartered steamers.

The CHAIRMAN. All are chartered steamers?

Mr. BOUVIER. Yes; so far as I know. I do not know their arrangement, though.

The CHAIRMAN. W. R. Grace & Co., Wessel, Duval & Co., do not own any steamers?

Mr. BOUVIER. The New York & Pacific Steamship Co. own steamers.

The CHAIRMAN. But I understand that W. R. Grace & Co. do not own any steamers?

Mr. BOUVIER. They control the New York & Pacific Steamship Co.

The CHAIRMAN. They control that company?

Mr. BOUVIER. Yes.

The CHAIRMAN. Who owns the New York & Pacific Steamship Co.?

Mr. BOUVIER. W. R. Grace & Co. and its principal stockholders.

The CHAIRMAN. Who is the president of the company?

Mr. BOUVIER. There is no president. It is an English corporation. Mr. M. P. Grace is chairman.

The CHAIRMAN. Is it a corporation?

Mr. BOUVIER. Yes; an English corporation.

The CHAIRMAN. Is Grace an Englishman?

Mr. BOUVIER. Some of the family are. Mr. M. P. Grace is not an Englishman.

The CHAIRMAN. And the stock is owned and controlled in England chiefly, is it?

Mr. BOUVIER. W. R. Grace & Co. owns—no, it is not chiefly. W. R. Grace & Co. and the principal stockholders of W. R. Grace & Co. control the New York & Pacific Steamship Co.—own it.

The CHAIRMAN. Is the principal ownership in this country or in England?

Mr. BOUVIER. It would be in this country.

The CHAIRMAN. I wanted to make that clear. Do you give regular service between New York and the west coast of South America?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. How many sailings do you have a month?

Mr. BOUVIER. We have 22 sailings—about 2 a month.

The CHAIRMAN. You mean W. R. Grace & Co. do, or the three?

Mr. BOUVIER. W. R. Grace & Co.

The CHAIRMAN. How many sailings do each of these other companies have?

Mr. BOUVIER. Twenty-one, I believe, together.

The CHAIRMAN. I believe you say you have——

Mr. BOUVIER. Twenty-two.

The CHAIRMAN. Tell the committee, please, does your firm, company, or line, at the present time, or has it been, say, within two or three years past, a partner to any agreement or arrangement or understanding with any other steamship line or lines, including those mentioned, as regards either the freight or passenger traffic to or from the United States to the west coast of South America?

Mr. BOUVIER. No, sir.

The CHAIRMAN. You say you have no agreement with them affecting the division of traffic or territorial division of routes?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Nor the discontinuance of service between designated ports, by either your line or the other lines mentioned?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Do you regulate the time and number of sailings between designated ports by agreements?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Have you any understanding by which you grant deferred rebates or other privileges or advantages to shippers?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Have you any agreement by which you maintain uniform rates?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Kindly explain to the committee how it happens that your rates and the rates of the line operated by Wessel, Duval & Co., as furnished to the committee, are identical?

Mr. BOUVIER. I think that they follow us.

The CHAIRMAN. That is a fact, is it not, that your rates are identical to ports——

Mr. BOUVIER. I do not know that, and from the information we get—of course, the rates are varied there all the time.

The CHAIRMAN. At a given time are they not the same?

Mr. BOUVIER. No, sir; they are not.

The CHAIRMAN. You have compared the rates of W. R. Grace & Co. with the rates of Wessel, Duval & Co. You know it to be a fact that the published rates are identical, are they not?

Mr. BOUVIER. I did not know it; no, sir. I hoped they would be, but I do not know it.

The CHAIRMAN. Have you not got their rates in your office?

Mr. BOUVIER. No, sir.

The CHAIRMAN. You never have had?

Mr. BOUVIER. No, sir.

The CHAIRMAN. You never have seen them?

Mr. BOUVIER. No, sir.

The CHAIRMAN. You were never advised that they were the same until now?

Mr. BOUVIER. I have not been advised that they were. I hoped they would be. I made those rates when the Panama Line changed their rates the last time. I made up the tariff, taking the English tariff and the Panama tariff, and reduced them so they would be

entirely competitive. Our rates are less. They are low and they are less than either the Panama Line to the west coast or the English lines.

The CHAIRMAN. What is the amount of the reduction?

Mr. BOUVIER. The difference between?

The CHAIRMAN. Yes.

Mr. BOUVIER. I do not know. They vary. They are less than the English rates on almost everything.

The CHAIRMAN. What is the difference between them and the rates via Panama to the west coast of South America?

Mr. BOUVIER. Our rates? Well, I do not know just what the difference is, but we are very much less.

The CHAIRMAN. Any appreciable difference?

Mr. BOUVIER. Yes.

The CHAIRMAN. Could you suggest what per cent?

Mr. BOUVIER. No; there is no per cent. You could not figure a percentage on it. We get all the rough cargo practically via Magellan.

The CHAIRMAN. The package freight goes the other way?

Mr. BOUVIER. Finer freight goes the other way. In fact, we ship our own freight that way largely. It is a shorter time to a great many of the ports.

The CHAIRMAN. I will state to you for your information, if it is first-hand, that we have reports from both of the companies, and we have the rates which you say are in force, and they are identical. And from that we naturally inferred that they were framed by agreement.

Mr. BOUVIER. No, sir. We devoutly hope they will be the same. In the steamship business stable rates are essential, if possible, and if they follow our rate it is a matter of self-interest.

The CHAIRMAN. There is no agreement between you?

Mr. BOUVIER. There is no agreement on the subject, and they are varied there all the time. We get our information to that effect from brokers and shippers, who tell us.

The CHAIRMAN. You do not have any conference with them?

Mr. BOUVIER. We see them. We are perfectly friendly with them, but there is no conference on the subject, and we are competing all the time for cargo—keenly competing.

The CHAIRMAN. There is never a suggestion of one to the other that your rates are the same, and they did not tell you that they had adopted your schedule of rates?

Mr. BOUVIER. Told us they had adopted our schedule?

The CHAIRMAN. Yes.

Mr. BOUVIER. No. When the last change came, Wessel, Duval & Co. asked me if we had changed our tariff. I told them, "Yes; we had." They asked me if I would give them a copy of it, and I did so.

The CHAIRMAN. Did they not tell you then that they would conform to it?

Mr. BOUVIER. They did not.

The CHAIRMAN. Did you have any understanding between you that they would do so?

Mr. BOUVIER. No; I hoped they would do so from a matter of self-interest.

Mr. HUMPHREY. Did you say that to them?

Mr. BOUVIER. No, sir.

The CHAIRMAN. Is there any understanding or agreement between the lines operating the west coast of South America via Panama to your knowledge?

Mr. BOUVIER. I never thought there was, because one of the lines is a government line, and they have the same rates—the four lines have the same rates—but I never thought there was an agreement. I thought they simply adopted those tariffs.

The CHAIRMAN. Whose tariffs were adopted in that instance—the Government's?

Mr. BOUVIER. The Government's. The first man's tariff, which was the Government's.

The CHAIRMAN. The other tariffs conform to the Government's? Has your line any arrangement with those lines?

Mr. BOUVIER. None whatever. We are competing all the time for cargo.

The CHAIRMAN. What class of cargo do you handle?

Mr. BOUVIER. Well, the rougher, cheaper articles.

The CHAIRMAN. Mention some of them.

Mr. BOUVIER. Resin, pitch, lubricating oil, the cheaper classes of dry goods, oil, wax, turpentine, naval stores, lumber, cement, pipe, machinery, iron, steel, cars, and locomotives.

The CHAIRMAN. Usually in cargo lots?

Mr. BOUVIER. In very large lots.

The CHAIRMAN. Is your trade different from that of Wessel, Duval & Co.?

Mr. BOUVIER. No, sir; just the same. We are both merchants.

The CHAIRMAN. Do you both handle the same class of commodities?

Mr. BOUVIER. The same class of commodities.

The CHAIRMAN. To the same ports?

Mr. BOUVIER. The same ports.

Mr. STEPHENS. Do you consider them in serious competition with you?

Mr. BOUVIER. Very serious competition. There is fighting at the other end all the time.

Mr. STEPHENS. And do I understand you to say that you never have known their rates; have never seen a copy of the rates published by them to the public?

Mr. BOUVIER. I never have; no, sir. We have obtained our information as best we can.

Mr. STEPHENS. Then you have the information? You have known what their rates were when making your own rates?

Mr. BOUVIER. We ask information all the time; yes.

Mr. STEPHENS. Who did you ask for information?

Mr. BOUVIER. We get it from brokers and from other shippers.

Mr. STEPHENS. These competitors of yours do publish a rate sheet, do they not?

Mr. BOUVIER. No, sir.

The CHAIRMAN. No; they do not do that. It is typewritten.

Mr. STEPHENS. It is given considerable circulation by them, is it not?

Mr. BOUVIER. No.

Mr. STEPHENS. Are your typewritten rates given a considerable circulation?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Well, you know, as you testified, that you gave them a copy of your rates?

Mr. BOUVIER. Yes; they asked for it.

Mr. STEPHENS. Would you not consider it pretty good business to have a copy of their rates at hand?

Mr. BOUVIER. Well, I never thought of that.

Mr. STEPHENS. What is your reason for not having?

Mr. BOUVIER. We have made the rates that we were going to use as a basis.

Mr. STEPHENS. Yes; but if they are serious business competitors in this business, as you testify, why would it not be, or why did you not, secure a copy of the rates that they were making in the trade in which you were competitors of theirs?

Mr. BOUVIER. We find out what they are doing all the time. We know that they have got to quote the same rates that we do, approximately.

The CHAIRMAN. Why is that? Why have they got to do it?

Mr. BOUVIER. How can they help it in the steamship business? You have got to have a basis for doing business.

The CHAIRMAN. Why are they compelled to quote your rates?

Mr. BOUVIER. Well, the moment they quote something else we quote it. That becomes the rate then, and we make it the rate.

The CHAIRMAN. How do you know the rate that they quote?

Mr. BOUVIER. That is what we find out.

The CHAIRMAN. Does the shipper tell you?

Mr. BOUVIER. Yes.

The CHAIRMAN. Their customer?

Mr. BOUVIER. It is not their customer. It is anybody's customer.

The CHAIRMAN. Are these rates quoted publicly so that everybody has notice of them?

Mr. BOUVIER. No; but we see the shippers.

The CHAIRMAN. You get this information through shippers?

Mr. BOUVIER. Shippers and brokers.

Mr. STEPHENS. Is your reason for not having one of their tariffs the knowledge that you have that their rates would be the same?

Mr. BOUVIER. I have no such knowledge beyond the hope that they would be.

Mr. STEPHENS. Have you not felt sure upon making a rate that theirs would follow yours?

Mr. BOUVIER. We knew they had to to a certain extent, but it is deviated from frequently. We know that. Whenever they want cargoes they deviate from the rate and take them.

Mr. STEPHENS. Why would they have to follow your rate?

Mr. BOUVIER. There must be a basis for doing business. What rates would they have?

Mr. STEPHENS. Do you think they would be serious competitors if they followed you in everything? Do you call that competition, really?

Mr. BOUVIER. In the steamship business you have to have a basis to charge on. They can deviate from that as much as they like, and they do deviate.

Mr. STEPHENS. Still, you say that you varied from your basis right along if you found them making any different rate?

Mr. BOUVIER. Yes.

Mr. STEPHENS. How often does that happen?

Mr. BOUVIER. Oh, I do not know; frequently, I do not know how often.

Mr. STEPHENS. Do they repeatedly cut rates?

Mr. BOUVIER. Yes.

Mr. STEPHENS. Every week?

Mr. BOUVIER. Well, I do not know. It is frequently.

Mr. STEPHENS. In your judgment, how often?

Mr. BOUVIER. Well, yes, something all the time.

Mr. STEPHENS. You have no agreement of any kind whatever concerning rates or concerning cargoes, or times, or ships, or anything else with them?

Mr. BOUVIER. Absolutely none.

Mr. STEPHENS. When a question of rates was coming up, when you had heard that they were making a lower rate than you on something, have you never consulted them or talked with them or their agents about what kind of rate you would establish, or what you both should have?

Mr. BOUVIER. I do not recall ever having done so. Certainly not in a long time. I will not say never, but certainly not in a long time.

Mr. STEPHENS. How far back would you think your present lack of understanding goes?

Mr. BOUVIER. Well, I never had any formal conference. These gentlemen are friends, and we see them occasionally. I see them.

Mr. STEPHENS. You do run a line, if I may so state it, to the west coast of South America?

Mr. BOUVIER. Yes, sir.

Mr. STEPHENS. Transship at Panama, do you not?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Do you not take any large amount of shipments for the west coast of South America via Panama?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Do you ship any particular amount of goods that way?

Mr. BOUVIER. Yes; we ship.

Mr. STEPHENS. Do you do that of your own accord, or is that the way they are routed by the shipper?

Mr. BOUVIER. We do it of our own accord. It is a question of time, generally.

Mr. STEPHENS. But the shipper has nothing to do with the routing of it via Panama?

Mr. BOUVIER. Do you mean the shipper at the other end?

Mr. STEPHENS. The shipper at this end or the other end, either.

Mr. BOUVIER. We are the shipper. We are merchants.

Mr. STEPHENS. I mean the consignors.

Mr. BOUVIER. He may state so. If it is his cargo he states so; if it is our cargo we will state it.

Mr. STEPHENS. Then you do carry large shipments in cargoes to the west coast of South America via Panama?

Mr. BOUVIER. We ship them by the line going via Panama.

Mr. STEPHENS. That is what I was trying to find out.

The CHAIRMAN. You say they are not your own lines?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. They are not your own boats or your lines?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. You have no control over the vessels between New York and Panama?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Have you at any time in the last five years owned or controlled any vessels plying between the north Atlantic ports and Panama?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Have you any agreement whatever with the Government line or any other lines that ships to the west coast of South America or to the west coast of North America via Panama?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Have you any agreement with the Panama Railroad or Panama Steamship Co.?

Mr. BOUVIER. No, sir.

Mr. STEPHENS. Neither written nor implied?

Mr. BOUVIER. Neither written or implied. I want to say that our line, when we originated it, succeeded sailing vessels, and although it is an English company it is really an American line. It is built purely and solely to further American trade.

Mr. WILSON. You say that there has to be a basis for these rates? I believe I understood you to say there had to be a basis.

Mr. BOUVIER. Well, you have got to have something to quote; there are so many articles to quote on; and we take the Panama tariff.

Mr. WILSON. If these people are serious competitors of yours, why should they not establish a basis as well as you?

Mr. BOUVIER. Why, but they can.

Mr. WILSON. If they establish——

Mr. BOUVIER. Except we take the Panama line and just go under it. That would be their same basis.

Mr. WILSON. If they establish a basis, would it not be to your interest to know what that basis is?

Mr. BOUVIER. If they established it—yes.

Mr. WILSON. Then, would it not be to your advantage to go to them for your information as to what their basis is?

Mr. BOUVIER. Do you mean what their rates are?

Mr. WILSON. Yes; a basis for their rates.

Mr. BOUVIER. I could do it.

Mr. WILSON. Would you not get more accurate information that way than by getting it from brokers or some people who simply deal with them?

Mr. BOUVIER. Well, I do not know. I do not think I would like to ask them. When they cut rates I do not think I would like to ask them.

Mr. WILSON. Apparently they did not hesitate to ask you.

Mr. BOUVIER. I was very glad to give it to them.

Mr. WILSON. Might not they be just as glad to give it to you—to give the information to you—as you were to give it to them?

Mr. BOUVIER. They were, probably. I really hoped that they would use our rates. I am perfectly frank to say I hoped they would. We devoutly prayed they would. It is much better that they would.

Mr. HARDY. Why do not they pray just as hard as you do?

Mr. BOUVIER. We are the pioneers in the business, that is all.

Mr. HARDY. You say you are the pioneers?

Mr. BOUVIER. Yes.

Mr. HARDY. A stronger line, and they can get more favors by adopting your methods and your rates than by open competition?

Mr. BOUVIER. Well, we have the competition just the same.

The CHAIRMAN. Does this competition result in lowering the freight rates to the west coast of South America as between the two lines?

Mr. BOUVIER. Well, when all the lines of the world have raised their rates anywhere from, we will say, 50 to 200 per cent, I do not think our rates have been much raised. I have never figured the percentage, but I tried to figure a tonnage basis, and I do not think the difference is over 70 cents a ton average on the kind of cargo that goes to the west coast.

The CHAIRMAN. About what per cent would that be?

Mr. BOUVIER. Well, possibly 10 per cent. I am not sure of that. I have not those figures. We could to-day charter our steamers at the market rates and make twice as much as we are making on them—just chartering them in the open market—and have no trouble about it.

Mr. STEPHENS. I understood you to say that your company was making 22 sailings per annum to the west coast of South America?

Mr. BOUVIER. Yes.

Mr. STEPHENS. And that your so-called competitors are making 21 sailings?

Mr. BOUVIER. Yes.

Mr. STEPHENS. And that the 21 sailings were made by the two companies with which you were supposed to be competing?

Mr. BOUVIER. Yes.

Mr. STEPHENS. Can you tell how much more or how much less your competitors carry than you do per annum?

Mr. BOUVIER. Yes; approximately.

Mr. STEPHENS. Will you give it to the committee?

Mr. BOUVIER. Let us see if I can recall it. This is approximate. I am not sure. I think we carried 150,000 tons.

Mr. STEPHENS. In the year 1911?

Mr. BOUVIER. 1912. I can not remember the figures. I think, roughly, about 140,000 tons—the other two.

Mr. STEPHENS. 10,000 tons per annum less than shipped by your line?

Mr. BOUVIER. Yes; the other two.

Mr. HUMPHREY. That is, the other two here?

Mr. BOUVIER. Yes; the other two here.

Mr. HUMPHREY. I want to ask you this question so as to get it clear in my mind: Do I understand you to say that your line and your competitors have no understanding, direct or implied, for the fixing of rates?

Mr. BOUVIER. Do I understand you to mean an agreement? As I stated before—

Mr. HUMPHREY. I mean an agreement, understanding, or arrangement of any kind.

Mr. BOUVIER. No, sir.

Mr. HUMPHREY. None whatever?

Mr. BOUVIER. None whatever.

Mr. HUMPHREY. Well, then, if the committee has copies of the rates published by your line and your competitors, issued at various times, heretofore, and they are identical all the way through, do you want the committee to believe that is a mere coincidence?

Mr. BOUVIER. I do not think it is a mere coincidence.

Mr. HUMPHREY. Then how do you account for the fact that it is true?

Mr. BOUVIER. I said, of course, it is to their interest to do so.

Mr. HUMPHREY. Then, as I understand, what you want the committee to believe is this: That while there is no understanding or arrangement or agreement with your competitors, they simply copy your rates?

Mr. BOUVIER. I think they use them as a basis and quote from them what they please.

Mr. HUMPHREY. Suppose, as I said a while ago, you quote exactly the same rates?

Mr. BOUVIER. Have they always quoted the same rates? They have not.

Mr. HUMPHREY. I am asking you to suppose that they are the same. Suppose that they do do that. Do you want us to think it is a mere coincidence? If there is not any agreement about it, of course they must copy your rates verbatim and get just the same, because I understand from you there is no agreement, arrangement, or understanding?

Mr. BOUVIER. No, sir; there is not.

Mr. HUMPHREY. So that if the rates are the same, they must just copy your rates?

Mr. BOUVIER. Yes, sir.

Mr. HUMPHREY. They could not get them in any other way?

Mr. BOUVIER. No, sir.

Mr. HUMPHREY. Do you ever copy their rates?

Mr. BOUVIER. No, sir.

Mr. HUMPHREY. I want to ask you, then, this question: Do you consider, as a business man, that a line is a competitor which copies your rates exactly?

Mr. BOUVIER. Well—but they do not have to maintain them.

Mr. HUMPHREY. Suppose they do maintain them; suppose that those lines maintain the same rates that you do—copy your rates and maintain the same. Do you regard that line as a competitor that follows after you?

Mr. BOUVIER. We are competing for freight all the time.

Mr. HUMPHREY. Then, as I understand you, they are a competitor in the sense of their competing to get the freight, but not competitors in rates?

Mr. BOUVIER. Well, they are competitors in rates; yes. But they are going to get all they can out of it. If they can get these rates, they are not going to take any less.

Mr. HUMPHREY. They would not be competitors in rates if they followed your rates, would they? If a competitor follows your rates, gives exactly the same rates you give and you fix the rates independently, they would not be a competitor in rates, would they?

Mr. BOUVIER. They are competitors to get the cargo, and if they can not get those rates, they get any rates they can; I do not know.

Mr. HARDY. Let me ask you: If you never cut their rates, why do you inquire as to what their rates are?

Mr. BOUVIER. I do not say we do not cut their rates. We may have to.

Mr. HARDY. Do you mean when you find out they have made a given rate that you change your rate to meet it or not?

Mr. BOUVIER. It would depend on the circumstances.

Mr. HARDY. Did you ever change your rates to meet theirs?

Mr. BOUVIER. We might do so.

Mr. HARDY. Did you do so?

Mr. BOUVIER. We have done so; yes.

Mr. HARDY. Did you ever cut under them?

Mr. BOUVIER. Yes.

Mr. HARDY. For the purpose of getting freight away from them?

Mr. BOUVIER. Yes.

Mr. HARDY. You say they cut under you sometimes; does that ever produce a rate war?

Mr. BOUVIER. It might.

Mr. HARDY. Has it ever done so?

Mr. BOUVIER. Yes, sir; it has.

Mr. HARDY. When did you ever have a war? When was the last time you had a rate war?

Mr. BOUVIER. I do not know exactly as you would call it a rate war.

Mr. HUMPHREY. Have you any agreement that you will not get into a rate war?

Mr. BOUVIER. No; but it is to everybody's interest that we will not get into a rate war.

Mr. HARDY. When was your last rate raffle, we will call it—just a difference?

Mr. BOUVIER. I can not answer that—two years ago.

Mr. HARDY. Do you remember having had a rate war within the last two years, any difference on rates?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. You have had a cut of rates in two years?

Mr. BOUVIER. Oh, yes; we have had a cut in rates within two years.

Mr. HARDY. Two years?

Mr. BOUVIER. Surely.

Mr. HARDY. When was the last time you had any rate cut?

Mr. BOUVIER. Some years ago—I was not in the steamers some years ago.

Mr. HARDY. You mean before you came in connection with it?

Mr. BOUVIER. Yes.

Mr. HARDY. I thought you said you had in the last two years.

Mr. BOUVIER. No.

Mr. HARDY. You have not had any rate war within the last two years?

Mr. BOUVIER. Not a rate war.

Mr. HARDY. Have you had any rate cutting?

Mr. BOUVIER. Oh, yes; certainly.

Mr. HARDY. Have you had any rate cutting within the last two years?

Mr. BOUVIER. Oh, surely.

Mr. HARDY. On what?

Mr. BOUVIER. I could not say.

Mr. HARDY. Do you remember anything about rate cutting going on within the last two years?

Mr. BOUVIER. I do not remember. Things come up all the time.

Mr. HARDY. Do you remember any commodities on which there has been a cut in rates between your company and the two others?

Mr. BOUVIER. I can not possibly recall; I do not handle all these matters.

Mr. HARDY. As a matter of fact, it is a sort of imagining on your part that there might have been a cutting of rates within the last two years?

Mr. BOUVIER. Oh, no.

Mr. HARDY. Do you remember there was any?

Mr. BOUVIER. Yes; I remember the fact.

Mr. HARDY. And do you remember about what time?

Mr. BOUVIER. No; I can not remember the times.

Mr. HARDY. You do remember when it was?

Mr. BOUVIER. No.

Mr. HARDY. Do you remember who it was you were cutting with, what company?

Mr. BOUVIER. No; I do not recall; I do not sit over that.

Mr. HARDY. But you just have a vague idea that there was some cutting in rates during the last two years?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. But you can not state when?

Mr. BOUVIER. No, sir.

Mr. HARDY. Nor on what it was?

Mr. BOUVIER. No; I do not recall. A man would report to me "so and so." but I do not recall what the things are.

Mr. STEPHENS. Do you have anything to do with the establishment of the new or cut rates? Is that your province, to establish the new cut rate—you, yourself, I mean?

Mr. BOUVIER. Well, the rates would not be changed without speaking to me. I would not go into the details of it.

Mr. HARDY. Do you tell them to change it?

Mr. STEPHENS. I was not quite through.

Mr. HARDY. Oh, I beg your pardon.

Mr. STEPHENS. Do you not give your employees the right to change the rate within certain bounds?

Mr. BOUVIER. He would speak to me about it.

Mr. STEPHENS. You think that you would know every time the necessity for cutting rates existed or came about?

Mr. BOUVIER. The necessity on my part you mean?

Mr. STEPHENS. Yes, sir.

Mr. BOUVIER. I think that I would, probably; I might not, but I think I would.

Mr. STEPHENS. Do you remember how long ago it was that you cut a rate; how long it has been since you did?

Mr. BOUVIER. Why, we cut them all the time.

Mr. STEPHENS. Do you remember how long ago since you did?

Mr. BOUVIER. Not long ago we were fighting with Europe for a lot of cars in competition to see which side would get them.

Mr. STEPHENS. You mean you were fighting these other two companies?

Mr. BOUVIER. No; we were fighting with England to see who would get the cars.

Mr. STEPHENS. We have not been talking about England. I am talking about your two competitors and the necessity for cutting rates on lines that were making lower ones than you had been making previously.

Mr. BOUVIER. We made a rate to take those cars.

Mr. STEPHENS. They were your competitors alone in that proposition, do I understand you to mean?

Mr. BOUVIER. No; probably not. I do not know who was in it, but we were competing over there.

Mr. STEPHENS. I did not touch upon that matter. This is a question between your company and your two competitors; and I would like to know if you can tell us how long ago it was that you cut a rate or found it necessary to cut a rate lower than your two competitors on freight going from New York to the west coast of South America.

Mr. BOUVIER. I could easily give you that. It is not so very long ago, but I do not remember just when it was.

Mr. STEPHENS. Have you a copy of the rates that they had and you had, too?

Mr. BOUVIER. No.

Mr. STEPHENS. At that time?

Mr. BOUVIER. No; I would not have any copy of it. I could find out.

Mr. STEPHENS. In a general way, how many times do you think you cut rates in the last 12 months below your two competitors on boats from New York to the west coast of South America?

Mr. BOUVIER. I could not guess. Twenty or thirty times.

Mr. STEPHENS. A dozen times?

Mr. BOUVIER. More than that.

Mr. STEPHENS. Twenty times?

Mr. BOUVIER. Easily; yes.

Mr. STEPHENS. But you think that would be all, 20 times; do you?

Mr. BOUVIER. I do not know. I guess roughly, perhaps—I can not guess.

Mr. STEPHENS. Well, as we can not get any definite information, I would like to have a little general information, if I can: If you cut 20 times or 22 times, that would be every time your boat sailed, would it not? Every time one of your steamships left New York for the west coast of South America you had a cutting of rates?

Mr. BOUVIER. It might be; I can not say.

Mr. STEPHENS. Do you think that is true?

Mr. BOUVIER. Yes; probably.

Mr. STEPHENS. Do you know, definitely, whether or not the rates have been maintained on your different sailings? Do you think it is possible that you would cut the rates, or possible that you would cut the rates every time you have a cargo to ship from New York to the west coast of South America?

Mr. BOUVIER. We did something on every ship.

Mr. STEPHENS. Of any consequence?

Mr. BOUVIER. Oh, yes.

Mr. STEPHENS. You believe that every time your ship leaves New York for——

Mr. BOUVIER. I do not say every ship; I do not say it comes in that way—every ship; no. There might be two or three on one ship.

Mr. STEPHENS. All right; two or three times on one ship. It would not necessarily mean any large amount of cut in the rate, would it?

Mr. BOUVIER. No.

Mr. STEPHENS. Is it not a fact that, generally speaking, you have the same rate as your competitors?

Mr. BOUVIER. I hope so; and I think it is, generally.

Mr. STEPHENS. Is not 95 per cent of the business carried by your ships and by theirs at equal rates for the same sailings?

Mr. BOUVIER. I do not know about theirs; I think ours are.

Mr. STEPHENS. It could not very well be one of them. Yours could not equal his without his equaling yours. Is it your opinion that 95 per cent of the business done between New York and the west coast of South America is carried by you and your two competitors at practically the same rates? That is, on the same day of sailing of the same week.

Mr. BOUVIER. Probably.

Mr. STEPHENS. Is it any greater than 95 per cent?

Mr. BOUVIER. I can not say; I do not know, sir.

Mr. STEPHENS. I understand you believe, then, that 5 per cent of the goods carried by yourself and your competitors to the west coast of South America are at cut rates—some cut rates?

Mr. BOUVIER. Well, there may be. I could not say.

Mr. STEPHENS. Have you any opinion about it?

Mr. BOUVIER. I think so; yes. I think it is more than possible; but I do not know.

Mr. STEPHENS. Can you give the committee a copy of the bills of lading carrying the rate at which goods were shipped on your several sailings for the past year?

Mr. BOUVIER. I do not know whether I can give the bills of lading or not.

Mr. STEPHENS. Do you not keep copies of the bills of lading?

Mr. BOUVIER. No; our captain gets the copy.

Mr. STEPHENS. You have no office copy?

Mr. BOUVIER. I do not think so.

Mr. STEPHENS. The shipper gets a copy and the captain gets a copy, and no other person?

Mr. BOUVIER. No other person; no.

Mr. STEPHENS. You only make them in duplicate, not in triplicate?

Mr. BOUVIER. I think we have a slip; I think possibly I could get the rate.

Mr. STEPHENS. Do you keep a copy of them for all your different ships from New York to the west coast of South America for any particular length of time?

Mr. BOUVIER. Yes.

Mr. STEPHENS. How long?

Mr. BOUVIER. I think probably a year; over six months, anyway.

Mr. STEPHENS. Then you can give the committee copies of the bills of lading, or practically what is in the bills of lading, for the past six months?

Mr. BOUVIER. Yes.

The CHAIRMAN. Will you produce them?

Mr. BOUVIER. Yes.

The CHAIRMAN. We want just a few of each.

Mr. BOUVIER. Of course it is a vast amount of work.

The CHAIRMAN. I do not want you to furnish all of them; just a few of them; enough to show the course of business and the rates charged.

Mr. BOUVIER. Yes.

The CHAIRMAN. We do not want you to select them out; just take them as they come.

Mr. BOUVIER. How do you mean "as they come"?

The CHAIRMAN. We do not want you to select them.

Mr. WILSON. When you cut the rate on any of these sailings, do all the shippers shipping on the same date get the benefit of the cut in the rates?

Mr. BOUVIER. We would give everybody the same chance on the same goods.

Mr. WILSON. On the same class of goods.

Mr. BOUVIER. On the same goods; yes.

The CHAIRMAN. It is true, is it not, that yours is the more powerful line engaged in that trade, and for that reason you make the rates, and they are compelled to conform to them or else you would shut them out of the trade?

Mr. BOUVIER. Oh, no; we could not shut them out of the trade.

The CHAIRMAN. There are always tricks in all trades, I have understood. Now, is the trick in this trade that you make the rate with the expectation and the hope that they will conform to them, and there is a tacit understanding that they will do so?

Mr. BOUVIER. No. Our hope is they will do so; there is no question about that, and I will be perfectly frank in saying that we do hope that.

The CHAIRMAN. It is understood that you make the rate?

Mr. BOUVIER. I do not know that it is understood that we make the rate.

The CHAIRMAN. Then your hope is that they will follow it?

Mr. BOUVIER. Yes; certainly.

The CHAIRMAN. And your hope and desire and your expectation is that they will do so, and you would be very much disappointed if they did not?

Mr. BOUVIER. No, sir. There is no doubt but what we hope they will.

Mr. HUMPHREY. What do you do? Suppose they cut the rates 20 per cent; what would you do?

Mr. BOUVIER. That has taken place.

Mr. HUMPHREY. What would you do with that?

Mr. BOUVIER. We would do the same.

Mr. HUMPHREY. Commencing a war?

Mr. BOUVIER. Yes.

Mr. HUMPHREY. And if they would cut the rates now, don't you think undoubtedly that a rate war would commence, and it would be a fight of extermination if they did not quit, would it not?

Mr. BOUVIER. I do not know about extermination.

Mr. HUMPHREY. One other question. Have all of the other lines ever indicated or intimated to you in any way that if you fixed the rates they would follow them?

Mr. BOUVIER. No, sir.

Mr. HUMPHREY. What do you suppose is their purpose in asking you for a copy of your rates?

Mr. BOUVIER. The purpose is to use them and follow them as far as it suits them to do so.

Mr. HARDY. If you think an agreed rate would be better, why is it that you have not suggested to the other parties to do that?

Mr. BOUVIER. We do not want a hard and fast agreement. It is questionable if——

Mr. HARDY. Have you avoided that just for fear you might get in bad with the law?

Mr. BOUVIER. We have never decided whether we wanted an agreement. It was just a question.

Mr. HARDY. I thought you said you did want the same rates?

Mr. BOUVIER. Yes; the same rates.

Mr. HARDY. And hoped to have them?

Mr. BOUVIER. Yes.

Mr. HARDY. Why is it you do not agree on them?

Mr. BOUVIER. It is a question whether that is permitted or not. That is a very grave question.

Mr. HARDY. Why is it that W. R. Grace & Co., one corporation, becomes the owner of the Merchants' Line, another corporation—why is it that it is not just one big corporation?

Mr. BOUVIER. We can not hold these steamers.

Mr. HARDY. You can not hold any steamers?

Mr. BOUVIER. English steamers.

Mr. HARDY. Is W. R. Grace & Co. an American corporation?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. And then you own stock in an English corporation?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. You hold a majority of that stock?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. Grace & Co.'s stock?

Mr. BOUVIER. Yes, sir.

Mr. HARDY. That is the reason for the two organizations?

Mr. BOUVIER. Yes, sir.

STATEMENT OF MR. ROBERT JAFFRAY, A MEMBER OF THE PARTNERSHIP OF WESSEL, DUVAL & CO., OF NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Are you a member of the firm of Wessel, Duval & Co.?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. It is one of the lines referred to as engaged in the trade between the west coast of South America and New York?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. You may tell the committee whether or not you have any arrangement or understanding with Grace & Co., or any other lines operating to the west coast of South America.

Mr. JAFFRAY. We have none, sir.

The CHAIRMAN. Have you any agreement to maintain rates?

Mr. JAFFRAY. No, sir.

The CHAIRMAN. Or as to a division of traffic?

Mr. JAFFRAY. No, sir.

The CHAIRMAN. Or ports to which you will trade?

Mr. JAFFRAY. No, sir.

The CHAIRMAN. Your rates are the same, are they not, in fact?

Mr. JAFFRAY. May I preface my answer to that with a little statement?

The CHAIRMAN. Yes.

Mr. JAFFRAY. We are principally merchants, sir. Our house, I think, must be the oldest in that trade. The business was established 85 years ago, and we are principally merchants, as I say. For many years the business was conducted between Boston and the United States, and the firm simply transported its own goods in both directions, not taking freight from the market. Later, the New York business was established, and the freighting service was then begun of sailing vessels in which we would ship our own merchandise and engage freight from the market, and that has gradually grown into our present steamer service. We therefore maintain the line primarily for ourselves, but we do engage freight from the shippers in the market and seek it quite actively, as it enables us to make more frequent dispatches, and we have always said to the shippers that whatever they give to us in the way of freight we would see they were charged no higher than the other lines charge; that if they would give us a share of their freight, we would carry it at the current market rate. And we have always made an attempt to get that information in every way possible; and Mr. Bouvier is quite right in saying that at the time the rate change was effected in the tariff we asked them if they would give us a copy of their tariff.

The CHAIRMAN. And they did so?

Mr. JAFFRAY. They did so; yes.

Mr. HARDY. You conform to it?

Mr. JAFFRAY. Nominally, yes, sir; but we vary from it whenever it suits our convenience to do so.

Mr. HUMPHREY. Well, it never suits your convenience to vary from it very much; not enough to incite their antagonism?

Mr. JAFFRAY. Yes, sir; we often do, very materially.

Mr. HUMPHREY. Have you had any rate war?

Mr. JAFFRAY. No, sir; but what I mean is that we would at any time agree to carry a large quantity of freight at such a rate as suits our convenience, without the slightest regard to what they charged in their tariff on those articles.

Mr. HUMPHREY. Have you ever done that to such an extent that they protested against it?

Mr. JAFFRAY. They have never known anything about it, sir.

Mr. HUMPHREY. But you have never done that enough in any way to interfere with the friendly relations that exist between the two concerns?

Mr. JAFFRAY. I suppose they would be glad to have the freight we get, but we are quite good friends all the same, sir.

Mr. HUMPHREY. Your competition is entirely friendly?

Mr. JAFFRAY. Sir?

Mr. HUMPHREY. Your competition is not so severe but what you stay entirely friendly?

Mr. JAFFRAY. We do compete, as I say, with perfect freedom for any freight that we particularly want, and name any rate of freight that suits us to get it; but we believe, and have never made any secret of our belief, that a stable state of affairs in regard to freights is the most satisfactory one, and I think the shippers all know very well that if they send their freight by our steamers they will be charged the current rates.

Mr. HARDY. If a shipper came to you and said W. R. Grace & Co. offered a certain rate, you would have to cut under the rate?

Mr. JAFFRAY. Cut under the rate?

Mr. HARDY. Yes, sir.

Mr. JAFFRAY. We would if we felt like it, sir. We would have to meet it if we wanted the business.

Mr. HARDY. You would have to meet it. If a shipper came to you and told you that Grace & Co. said they would charge so much for freight, to get that freight you would have to cut under it?

Mr. JAFFRAY. I do not remember any such instances, but we would feel at perfect liberty to do so if we wanted the freight bad.

Mr. HARDY. Have you any inclination to do it?

Mr. JAFFRAY. Not if we can get the same rate they have.

Mr. HARDY. Have you ever done it?

Mr. JAFFRAY. I think it is quite likely, but I do not remember any instances.

Mr. HARDY. Have you ever had a shipper come to you for your rates after getting their rates, and you took the freight at a lower rate?

Mr. JAFFRAY. I do not remember such instances.

Mr. HARDY. Have there been any instances when you have cut under their freight rates?

Mr. JAFFRAY. No, sir.

Mr. HARDY. Has your practice been to cut them?

Mr. JAFFRAY. I can only repeat what I said before. I think the shippers know we will charge them the rates which are current in the market.

Mr. HARDY. By "current," you mean Grace's rate?

Mr. JAFFRAY. The other lines.

Mr. HARDY. Well, there are three lines, yours, and one other and the Grace Line?

Mr. JAFFRAY. Yes, sir.

Mr. HARDY. Now, have you, to your knowledge, ever taken freight from a shipper at a lower rate than he has been quoted on that same freight from Grace & Co.?

Mr. JAFFRAY. No, sir; to my knowledge we have not had any such instance, but I know there may very well be some such case.

Mr. HUMPHREY. At one time, at my instigation, a gentleman asked a number of steamship companies their rates. At that time I think your line and these other two were among the ones that he interrogated, and according to his statement, each one of the lines after some little time reported to him on the shipment, and each one of you agreed in your offer—the offers of each one of the lines were

exactly the same. What would you say that was, a mere coincidence, or that you had some consultation?

Mr. JAFFRAY. No, sir; no consultation; but I think I would be sure that whatever the rate was, they had adopted the tariff rate at that time.

Mr. HUMPHREY. How could you know what the rate was of the other lines unless you did consult with them?

Mr. JAFFRAY. Why, because we try to keep posted, and in one instance, as I say, a copy of their tariff was furnished to us at our request. But we are in constant touch with shippers, and know what they are paying.

Mr. HUMPHREY. So you do not deny, then, it is a fact that if a shipper applies to you for rates all three of the lines running from New York to the west coast of South America, probably would quote him the same?

Mr. JAFFRAY. I think it is likely, sometimes, sir, that it would be the same; because, so far as I know, the other lines are working on that basis. We, as I say, try to do that, and the shippers know we charge the current rate.

Mr. HUMPHREY. And the current rate is the rate that is fixed by the three lines?

Mr. JAFFRAY. It is not fixed by the three lines.

Mr. HUMPHREY. Well, is it fixed by one line?

Mr. JAFFRAY. No, sir.

Mr. HUMPHREY. How is it fixed?

Mr. JAFFRAY. There is at all times a current rate on any particular article, which we can always ascertain from the shippers because if they have this article to ship they will not give it to us unless we charge the same rate they can get to ship it on the other lines, and we know, therefore, what they are charging on any particular article, and in order to get the freight we have to meet that rate.

Mr. HUMPHREY. You say there are three lines engaged in the trade between New York and the west coast of South America?

Mr. JAFFRAY. Yes, sir.

Mr. HUMPHREY. As to the current rate, if your line does not fix it, who does fix it?

Mr. HARDY. The current rate does not fix itself.

Mr. HUMPHREY. There are three of you to fix a rate on a given article. Now, do the three of the companies fix the rate, or do two of the companies fix it, or does one company fix it? Who does fix what you call the current rate, and how do you understand what the current rate is?

Mr. JAFFRAY. We only know by charging what we believe the rate is, and being told if we charge too much, sir.

Mr. HUMPHREY. You say: "What you believe is the rate." What rate do you refer to?

Mr. JAFFRAY. The rate that is on the tariff in use in our office at the time.

Mr. HUMPHREY. Where do you get that tariff in use in your office?

Mr. JAFFRAY. We make it up from information that we get. In the last instance we got it from W. R. Grace & Co., as I said.

Mr. HUMPHREY. Then if you get it from W. R. Grace & Co. do W. R. Grace & Co. fix the current rate and the other two lines follow it?

Mr. JAFFRAY. I do not think that is so, sir, because we would only adopt that rate if it suited our convenience.

Mr. HUMPHREY. I wish you would just explain to our committee the mysterious, metaphysical way. You do not all come to an agreement, and nobody fixes it.

Mr. JAFFRAY. It does not seem mysterious to me, sir; I try to get their rates and try to charge them.

Mr. HUMPHREY. I am very much mystified and I presume the other members are. You say there are three lines, they have a current rate. Nobody fixes it, and yet the rate happens to be the same for all three lines. I want to know how it is done, whether it is fixed by the three companies together, or by two companies, or by you?

Mr. JAFFRAY. No, sir.

Mr. HUMPHREY. Just explain to us how that mysterious rate is fixed, will you, and that you all happen to agree to it? Just tell us how you reach the conclusion, and, in your own way, just explain to the committee how that current rate is made.

Mr. JAFFRAY. I do not remember there is any rate; but as I illustrated about the last instance, every now and then we hear——

Mr. HUMPHREY. Who is "we"?

Mr. JAFFRAY. Wessel, Duval & Co. We hear that there is to be a change in the dominating rates. It is picked up by the freight clerk, or comes from our shipping clerk in making his shipments on the Panama road——

Mr. HARDY. Right there—when you hear that, do you imagine how it does get started?

Mr. JAFFRAY. No, sir; they issue that publicly.

Mr. HARDY. "They." Who is "they"?

Mr. JAFFRAY. The Panama Railroad.

Mr. HARDY. There is published a change?

Mr. JAFFRAY. They publish they are going to make a change in the tariff.

Mr. HARDY. Who is going to make a change?

Mr. JAFFRAY. The Panama Railroad Co. We know, therefore, if they make changes, it may be necessary to make changes in our tariff, because that is the principal competition we have to meet—that and the English and German ships from Europe.

Mr. HARDY. Now, do you think that the other companies and Grace & Co. hear that same thing at the same time?

Mr. JAFFRAY. Positively, sir.

Mr. HARDY. And they have the same premonitions you do?

Mr. JAFFRAY. It is no premonition; it is a public statement.

Mr. HARDY. It is a rumor?

Mr. JAFFRAY. No; it is not a rumor; it is a public statement. They tell us they are about to change their tariffs.

Mr. HARDY. The Panama people do?

Mr. JAFFRAY. I think so; yes, sir.

Mr. HUMPHREY. Do you agree on just how much you are going to cut it?

Mr. JAFFRAY. If there is any doubt, and we have that very often, we wait to see what Grace & Co. fix in their tariff. We know they

are quite as well acquainted with the business as we are, and rather than take the time to do it ourselves we wait to see what changes are made; and if we can not find out from them we find out from the shippers what changes have been made, and then make our changes accordingly so as to charge the current rate.

Mr. HUMPHREY. Now, suppose the shipper comes to you and asks you to quote him a rate on a certain amount of cargo to be sent to the west coast of South America, and you do not know just what that rate is, and you may have heard in the meantime some rumor that there is going to be a change. Do you ask him to wait before you quote him that rate until you can consult about what rate you are going to quote the shipper?

Mr. JAFFRAY. I would not consult anybody, sir.

Mr. HUMPHREY. You would not?

Mr. JAFFRAY. No.

Mr. HUMPHREY. How do you sit down, without asking the other two lines and without consulting anybody, and all agree on the same rates and all quote him the same rates?

Mr. JAFFRAY. I do not know what their line does, sir. But, as I say, the practice is in many cases to wait to see what changes W. R. Grace & Co. make in their tariff.

Mr. HUMPHREY. If any shipper asks you that, you ascertain what W. R. Grace & Co. charge?

Mr. JAFFRAY. You mean in having the same change?

Mr. HUMPHREY. Yes. Suppose you want to ship a cargo now and you do not know what the rates are on that particular cargo, you have not obtained this current rate you spoke about.

Mr. JAFFRAY. Yes, sir.

Mr. HUMPHREY. The thing you do before you quote a rate on that is to ascertain what rate W. R. Grace & Co. are charging?

Mr. JAFFRAY. No, sir; we have no connection with W. R. Grace & Co. We make different rates to suit our convenience.

Mr. HUMPHREY. You fix it without regard to the rate charged by W. R. Grace & Co.?

Mr. JAFFRAY. That is done frequently.

Mr. HUMPHREY. And if he got about the same rate quoted by all three lines, that would be without consultation?

Mr. JAFFRAY. I do not think it is the same in all cases.

Mr. HUMPHREY. Is it usually?

Mr. JAFFRAY. I can only say we do try to follow the charges of the other lines so far as they are known to us. If they are not known to us, we make our own rates.

Mr. HUMPHREY. You never make any effort to find out what they are in advance?

Mr. JAFFRAY. No, sir.

Mr. STEPHENS. Mr. Jaffray, in the absence of any established rate sheet put out by Grace & Co., you obtain your rates from the statements of shippers?

Mr. JAFFRAY. Yes, sir. We use all those means.

Mr. STEPHENS. Do you rely implicitly upon the statement of your shipper?

Mr. JAFFRAY. It depends on who the shipper is, sir.

Mr. STEPHENS. They do not all tell the truth?

Mr. JAFFRAY. We have many misrepresentations made to us, sir.

Mr. STEPHENS. You have a good many?

Mr. JAFFRAY. Oh, yes.

Mr. STEPHENS. If you find it is a misrepresentation, what do you do?

Mr. JAFFRAY. If we do, and we want to cut the rate, we do so; if we do not want to cut the rate, we let the freight go.

Mr. STEPHENS. Do you not take some means of finding out whether or not it is a misrepresentation?

Mr. JAFFRAY. Decidedly; yes, sir.

Mr. STEPHENS. Have you ever telephoned to Grace & Co. to confirm a cut in rate as alleged by a shipper?

Mr. JAFFRAY. No, sir; not to my knowledge.

Mr. STEPHENS. When you do your shipping you guarantee your rates, as I understand you to say?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. Have you had any complaints from shippers that your rate was higher than that which was afterwards made to them?

Mr. JAFFRAY. I could not give you any definite information, sir. I think that may have occurred, but I do not remember any such instance.

Mr. STEPHENS. Do you publish a typewritten rate sheet?

Mr. JAFFRAY. No, sir; that is only for use in our office.

Mr. STEPHENS. You do not publish it at all?

Mr. JAFFRAY. No, sir.

Mr. STEPHENS. Have you ever given either of the other lines one or more copies of your typewritten sheet, or have you in some way given to them by letters your rates upon different commodities or upon single commodities?

Mr. JAFFRAY. Not to my knowledge, sir. But as we were favored a little while ago by one of our competitors, we would respond should they request it.

Mr. STEPHENS. Have you ever had such a request?

Mr. JAFFRAY. No, sir; I do not remember any.

Mr. STEPHENS. Would you know if your firm had had such requests?

Mr. JAFFRAY. I think so. It certainly has not been for some time past. It might have been some years ago.

Mr. STEPHENS. Do you think your competitors usually have definite knowledge of the rates you make?

Mr. JAFFRAY. No, sir. I think our position is well known in the market—that we desire to charge the rates that are charged by other lines. We know we can not get more, and we do not want to take less, and I think that disposition on our part is known by everyone.

Mr. STEPHENS. Your competitors are in the market for business. Do you not feel that they practically at all times know the rate that you are making upon shipments from New York to points on the west coast of South America?

Mr. JAFFRAY. No, sir.

Mr. STEPHENS. As a general proposition, do you not know the rates your competitors are making upon such shipments?

Mr. JAFFRAY. I know nothing more than their tariffs, which I have in the office, sir. But at any time we are liable to have inquiries for large lots of freight, to figure on something of special importance,

we handle those cases as we deem best and without conference or any application or any understanding of any kind.

Mr. STEPHENS. Mr. Jaffray, do you not feel it to be a fact, and believe it to be a fact, that your company had knowledge, practically and generally speaking, of the rates made all of last week on any shipments from New York to the west coast of South America?

Mr. JAFFRAY. No, sir. We did not have the slightest knowledge of it; there was no conference of that kind.

Mr. STEPHENS. Would you not have had some kind of notice from the other lines, or from shippers, that rates had been cut?

Mr. JAFFRAY. Not from the other lines, sir. If the shippers thought they could do better by getting a cut rate from one of the other lines, they would certainly come to us and say they could do better than our rate.

Mr. STEPHENS. They generally come, do they?

Mr. JAFFRAY. No, sir; not to my knowledge.

Mr. STEPHENS. Do you not feel and believe that had there been any cutting, you would have known about it?

Mr. JAFFRAY. I believe so; yes, sir.

Mr. AYRES. Mr. Jaffray, have you ever got orders or requests for rates for a larger amount of freight than you can conveniently carry?

Mr. JAFFRAY. Oh, yes, sir.

Mr. STEPHENS. And when that happens you give a rate of freight, and your customer perhaps wants to ship the rest of it at the same time, and what do you do with the rest of the freight? It kind of goes over to some other line to carry the surplus?

Mr. JAFFRAY. No, sir.

Mr. AYRES. How do you arrange that?

Mr. JAFFRAY. We take only what we can handle ourselves.

Mr. AYRES. How do you arrange that?

Mr. JAFFRAY. To the next steamer.

Mr. AYRES. To the next steamer, but if they want to ship by current steamer, by another line?

Mr. JAFFRAY. They do what they please. Any such offering would probably be for the bulk of the freight, sir, which we agree to take—one, two, or three steamers.

Mr. AYRES. In a case line that, Mr. Jaffray, we will say here is Grace & Co., or here is the other line going down, and they can probably take the balance?

Mr. JAFFRAY. No, sir; we have never done that. We want it all ourselves.

Mr. AYRES. Naturally, but we have heard that sort of testimony.

Mr. JAFFRAY. Exactly; that is very likely.

Mr. AYRES. Did you never do that in your trade at all?

Mr. JAFFRAY. No, sir.

Mr. AYRES. It seems very reasonable; they do that in most lines of business.

Mr. JAFFRAY. They may, sir, but I do not think we have ever done such a thing. I certainly do not recall such instance.

The CHAIRMAN. Let us get at the modus operandi. I believe you are primarily merchants?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. But sometimes you want cargoes to fill out your ships, and you solicit trade from other shippers?

Mr. JAFFRAY. Regularly, sir; not sometimes.

The CHAIRMAN. And you do not want to charge them a higher rate than the current rate, and you ascertain what the current rate is, and in doing that you refer to the rate sheets that were made by W. R. Grace & Co.; is not that it?

Mr. JAFFRAY. Not necessarily, sir; no, sir. If we refer to sheets in our office, it is made up from the information we can get from various directions.

The CHAIRMAN. As to what Grace & Co. are charging?

Mr. JAFFRAY. And the other lines, and the New York and South America lines.

The CHAIRMAN. That is the line of which Mr. J. W. Ryan is agent?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. Now, have you any contracts with large shippers, or with shippers, whether large or small?

Mr. JAFFRAY. Yes; we carry a good deal of freight from some companies that have very large interests there and make them rates for a period of time.

The CHAIRMAN. Are your special rates lower than the current rates?

Mr. JAFFRAY. In the cases that I speak of they consist of agreements to carry freight in large quantities, but the nature of the freight is not particularly made known to us beforehand. I can explain in this way: There has been a couple of cases of large mining interests that have been developed in Chile, where the shippers have told us that they would have large shipments to make of different kinds of materials, and extending over a considerable time, and have asked us to make a fixed rate of how much per ton for all their shipments, which we have done, but without the slightest consultation with anyone.

The CHAIRMAN. Now, do you give the same rate to the small shipper as you do to these large shippers?

Mr. JAFFRAY. In a case of that kind it might happen that some of the articles would be a class that would be shipped by a smaller shipper, possibly; for instance, the range would be a very wide one. It might include mining machinery, or fire brick, or small cars, or fuel oil—all sorts of things.

The CHAIRMAN. And you give all sorts of shippers of the same class of goods the same freight rate?

Mr. JAFFRAY. No. I say in this instance, sir, the same freight covering the whole bulk of merchandise would be without any regard to what any one of those particular articles of merchandise would be charged at if it came by itself to us.

The CHAIRMAN. You give an average rate?

Mr. JAFFRAY. For the whole thing.

The CHAIRMAN. Of all the articles?

Mr. JAFFRAY. Yes, sir.

The CHAIRMAN. And the average might be lower on some one of the commodities in the class.

Mr. JAFFRAY. Oh, very likely, sir; I mean of the large quantity of freight.

The CHAIRMAN. On a given article, do you discriminate?

Mr. JAFFRAY. We endeavor to keep the same, sir, for that.

Mr. AYRES. Mr. Jaffray, may I ask you one more question after the chairman?

The CHAIRMAN. Send us a copy of those shipping contracts.

Mr. JAFFRAY. We have no contracts, sir. They are of a very informal character. One of them has run for several years, and I had occasion some time ago to try and find out how it started. I do not know myself. I think it may have been verbal. The only thing I have on file at the moment is a letter saying that on account of increased cost of tonnage we should have to raise the rate in future, and that was done.

The CHAIRMAN. You have no written contracts with shippers?

Mr. JAFFRAY. No, sir.

Mr. STEPHENS. Mr. Jaffray, you say that usually your rates are changed after you have received some kind of a notice that the Panama Railroad is going to change its rates?

Mr. JAFFRAY. I think generally, sir; yes, sir. I think generally at the beginning of the recent very great rise in cost of tonnage, we made up our minds that we would have to increase rates, anyhow, and to the best of my recollection, however, before anything had been decided upon, the Panama Line also increased. I mean to imply, therefore, that it is not necessarily only the Panama Line's action.

Mr. STEPHENS. I understood you to say that really the Panama Railroad Co. was the base or the reason for changing rates?

Mr. JAFFRAY. Usually, I think it is, sir.

Mr. STEPHENS. Yes, sir.

Mr. JAFFRAY. I think it is, sir.

Mr. STEPHENS. After receiving a notice in some way that the Panama Railroad was to raise or lower its rates, you contemplated raising or lowering yours, as the case might be?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. And you did lower or raise them?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. Do you know whether or not your competitors at that time raised or lowered theirs in the same way, and to the same amount, or not?

Mr. JAFFRAY. I suppose they did, sir; I do not remember the circumstances of each particular case, but they must have done so.

Mr. STEPHENS. How can you account for the fact, if it is a fact, and I assume from what has been heard here that it is, that the three of you made the same rate or the same lowering of rates?

Mr. JAFFRAY. I can only speak for myself, but I have already explained that.

Mr. STEPHENS. Was it done without consultation with anyone whatever?

Mr. JAFFRAY. I do not know, sir. I think very often it might be that in talking over the cost of tonnage or any change in the situation, we might have said, "The Panama Line is going to raise its rates."

Mr. STEPHENS. You do talk over these changes of rates?

Mr. JAFFRAY. From time to time. I do not have any hesitation in giving them any information.

Mr. STEPHENS. And do you not leave such "conversationies" with the belief your competitors and yourself are about to enjoy the same rate?

Mr. JAFFRAY. I do not mean to imply anything of that kind, sir, because they know they are free to act. As I have said before, sir, we have never discussed our attitude with respect to shippers. They know the goods that are being sent to our steamers should be and will be, so far as we can do so, charged at the rate that its competitors are charging at the same time, so that we can not charge them more and we do not want to take less.

Mr. STEPHENS. Does not your company go upon the conclusion or assumption that if you make a rate practically the same or the same as that of Grace & Co. that you will have no trouble about rates?

Mr. JAFFRAY. Well, if we have the freight rate there is no trouble, sir—I do not quite understand.

Mr. STEPHENS. Have you such an understand as that—or understanding?

Mr. JAFFRAY. I do not think so, sir. I do not so regard it.

Mr. STEPHENS. Would an understanding result in any different rates?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. Just how? Explain how it would.

Mr. JAFFRAY. Because if it was an understanding we would feel under obligation to hold those rates.

Mr. STEPHENS. But the results would be the same?

Mr. JAFFRAY. The results would be the same.

Mr. STEPHENS. That was my question.

Mr. JAFFRAY. Yes; but the difference, I should say, to emphasize, is that likely because of an understanding we would be under obligation to hold these rates, while we do not so consider it under the circumstances that now exist.

Mr. AYRES. Mr. Jaffray, now, from the testimony that the committee has heard, it is practically admitted that in all the other lines of business from New York—that is, in the trade from New York to South Africa and to the east coast of South America and to Australia—all the steamship companies are in conferences. That is admitted by them, and it is generally admitted. It is the custom of the sea in all these trades. What is there peculiar, Mr. Jaffray, in the business to the west coast of South America which leads you not to have a custom, which leads you not to follow the custom of the other trades? Why is your trade different from others?

Mr. JAFFRAY. I can only answer for my own trade. We are quite independent; we have our own business. We can retire entirely from the trading business if we wish to do so.

Mr. AYRES. That is true of other lines and other trades, too?

Mr. JAFFRAY. Oh, no, sir; I do not think so.

Mr. AYRES. That is the difference in your trade?

Mr. JAFFRAY. I think it is, sir, as I understand it. We have our own business that has been conducted, as I say, for 85 years. Our house is in Valparaiso. We have a very large merchandise business, and for a great many years, in the early history of our firm—in fact, I presume, for the majority of the years of its existence—it has done no freighting business at all, simply freighted its own merchandise,

so that what we take from the market, as I say, is incidental to what we consider our own business.

Mr. WILSON. That condition does not apply to your two shipping companies?

Mr. JAFFRAY. I think it does.

Mr. WILSON. Do they also conduct a mercantile business?

Mr. JAFFRAY. It certainly appears that as to W. R. Grace & Co., that their profits are very large. In tonnage they do a larger business than we do, and it appears to be the case also with the other lines so far as I know it is the condition.

Mr. WILSON. The general shipping that they undertake incidental to their own business?

Mr. JAFFRAY. I think that is the case with all the lines; it certainly is with respect to that which my firm runs.

The CHAIRMAN. Do I understand you to say there has never been any agreement or understanding either in writing, express or implied, between yourselves and these other lines with reference to rates in the trade to South America—the west coast of South America?

Mr. JAFFRAY. I do not recollect that question. I think a good many years ago—perhaps six or seven years ago—we were once asked if we would agree to hold to rates as they then existed and we said we would try it, and it lasted about a month and then went to pieces, and from that I think we have gradually drifted into the present position.

Mr. STEPHENS. Mr. Jaffray, you stated that the largest amount of your business is the carrying of your own goods?

Mr. JAFFRAY. Yes, sir.

Mr. STEPHENS. Can you give the committee an idea of the percentage of your total shipping business that is done for outside shippers—to the west coast of South America, of course, I mean?

Mr. JAFFRAY. Well, I suppose an average steamer would carry 6,000 to 7,000 tons of cargo, perhaps, and I think there are often times when we have as much as two-thirds of that ourselves.

Mr. STEPHENS. Would you call that an average?

Mr. JAFFRAY. I have not the particulars at hand.

Mr. STEPHENS. It is only an estimate—I mean?

Mr. JAFFRAY. I would say—I think, in a recent case the freight clerk reported to me—the average steamer sailing for the outside freight had approximated 40 or 50 per cent of the cargo. That is only my recollection at the moment. It is something unusual, but I think as a general rule on an average we would probably have about two-thirds of the cargo ourselves.

Mr. STEPHENS. Would the revenue derived from such a shipment approximate the same average if you charged for your own?

Mr. JAFFRAY. Oh, yes; not far from it.

The CHAIRMAN. There is nothing further.

TESTIMONY OF MR. BOUVIER—Resumed.

The CHAIRMAN. Have you any different contracts with shippers?

Mr. BOUVIER. Well, no; but we have one pending freight engagement which might be called a contract.

The CHAIRMAN. What is that?

Mr. BOUVIER. With the United States Steel Co.

The CHAIRMAN. That is, to carry their products?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. Is that the only one you have?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. Is there any discrimination in rates between the large and small shippers over your lines?

Mr. BOUVIER. No.

The CHAIRMAN. They all have the same rates?

Mr. BOUVIER. Except this special contract.

The CHAIRMAN. That is, with the United States Steel Corporation?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. Others all get the same rate?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. Whether large or small?

Mr. BOUVIER. At the same time; yes.

The CHAIRMAN. They get the same rate?

Mr. BOUVIER. Yes, sir.

Mr. WILSON. About what percentage is the rate given under this contract less than to the average shipper?

Mr. HUMPHREY. Mr. Chairman, I do not know whether we ought to compel the witness to answer that question. I do not know that there is anything wrong about the contract for this, and if he objects——

The CHAIRMAN. He has not objected.

Mr. WILSON. Can we not get the fact? The committee can determine later whether there is anything wrong about it.

Mr. HUMPHREY. What I meant was this, Mr. Wilson: If the witness has special contracts, there is nothing wrong or nothing to prevent him giving a less rate if he wishes, and it might some way injure his business; and if that is so, unless it serves some good purpose, it appears to me that we ought not to compel him to answer.

Mr. WILSON. I do not know of anything under existing law that would prevent him from giving that, but the advisability of his continuing the existing rate might be considered by this committee.

Mr. HUMPHREY. I do not know whether there is any objection to it, but it struck me that if the witness would say that he thought it would injure his business we ought to consider it.

The CHAIRMAN. He has not urged any of those reasons.

Mr. BOUVIER. I have not said it, unless you desire—I will say it if you desire it.

Mr. HUMPHREY. If that is the only reason, I think you ought to answer it.

The CHAIRMAN. Different agents of different steamship companies have thought the law ought to forbid discrimination, as a matter of policy. I do not know of it being any offense under the law to discriminate now. We simply try to ascertain from them what they thought about the matter. Of course, if one cuts a rate another one will do so; if one favors one shipper, another is disposed to do the same thing; and they would all be glad to know that the custom is uniform between them. Go ahead and answer the question asked by Mr. Wilson.

Mr. BOUVIER. I will give you the rate, shall I?

By direction of the chairman the stenographer read as follows:

Mr. WILSON. About what percentage is the rates given under this contract less than to the average shipper?

Mr. BOUVIER. I think it is about 15 per cent.

The CHAIRMAN. I understand from you they furnish a certain amount of tonnage every year, a very large amount of tonnage?

Mr. BOUVIER. Well, any amount of tonnage——

The CHAIRMAN. Do you have any kind of a contract with them by which you have their business exclusively?

Mr. BOUVIER. We have no agreement.

The CHAIRMAN. You just give them the rate of 15 per cent less than the average rates?

Mr. BOUVIER. I think that is about the average.

The CHAIRMAN. Less than to shippers generally?

Mr. BOUVIER. Yes.

The CHAIRMAN. You do not bind them to ship any certain amount of tonnage over your line each year?

Mr. BOUVIER. No; but we can get all we want, that is the point, and when we want it.

The CHAIRMAN. They furnish all you can carry?

Mr. BOUVIER. Yes.

The CHAIRMAN. Did you say the contracts are in writing?

Mr. BOUVIER. The freight rates are in writing; yes.

The CHAIRMAN. The rates are in writing?

Mr. BOUVIER. Yes.

The CHAIRMAN. Is that all there is of the contract?

Mr. BOUVIER. That is all—our quotation to them, subject to change at any moment.

Mr. STEPHENS. Mr. Bouvier, what per cent of your business of shipping from New York to the west coast of South America is done for outsiders, on a general estimate?

Mr. BOUVIER. I think about 40 per cent.

The CHAIRMAN. There is nothing further.

TESTIMONY OF JOHN W. RYAN, AGENT NEW YORK AND SOUTH AMERICA LINE AND THE ISTHMIAN STEAMSHIP LINES, NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give your name and residence.

Mr. RYAN. John W. Ryan, Brooklyn, N. Y.

The CHAIRMAN. What line are you agent for?

Mr. RYAN. New York and South America Line and the Isthmian Steamship Lines.

The CHAIRMAN. Lines?

Mr. RYAN. Lines plural on the Isthmian connection only.

The CHAIRMAN. New York and South America Steamship Lines? What lines are those? Is that just a trade name, "New York and South America Lines"?

Mr. RYAN. Yes; it is distinctly the New York and South America Line; the other line is the Isthmian Steamship Lines.

The CHAIRMAN. Is the New York and South America Steamship Line a corporation?

Mr. RYAN. No; it is a trade name to designate the service in which it is engaged.

The CHAIRMAN. Who are the members of the company?

Mr. RYAN. It is a branch of the export trade of the United States Steel Products Co.

The CHAIRMAN. A branch of the United States Steel Products Co.?

Mr. RYAN. Yes, sir.

The CHAIRMAN. That is the United States Steel Corporation?

Mr. RYAN. They are a subsidiary of the United States Steel Corporation.

The CHAIRMAN. They are engaged under that name in the export business to the west coast of South America?

Mr. RYAN. Yes. Also to the east coast, so far as the port of Bahia Blanca is concerned.

The CHAIRMAN. This line charters ships and does not own any ships, does it?

Mr. RYAN. The steamers are under time charter.

The CHAIRMAN. From whom are those steamers chartered?

Mr. RYAN. From Charles G. Dunn & Co., of Liverpool.

The CHAIRMAN. And they are foreign steamers under a foreign flag?

Mr. RYAN. Foreign steamers under British flag.

Mr. HUMPHREY. British flag?

Mr. RYAN. British flag principally. Occasionally Norwegian.

The CHAIRMAN. Now, what other companies than yours trade to the west coast of South America?

Mr. RYAN. Via the Straits, the line known as W. R. Grace & Co., and the West Coast Line, operated by Messrs. Wessel, Duval & Co., aside from the four lines operating via Panama, viz., Royal Mail Steam Packet Co., Hamburg American Line, The United Fruit Co., and the United States Government line, known as the Panama Railroad Steamship Co.

The CHAIRMAN. Has your company or firm in the last five or six years been a party to any agreement or agreements or understandings with either of these other steamship lines or companies or firms as regards either the freight or passenger traffic to or from the United States to or from the west coast of South America?

Mr. RYAN. No, sir.

The CHAIRMAN. Have they in any capacity or in any form?

Mr. RYAN. Not to my knowledge.

The CHAIRMAN. You charge the same rates, do you not?

Mr. RYAN. As the other lines?

The CHAIRMAN. Well, the three different lines charge the same rates to South America?

Mr. RYAN. No; I would say we do not. In many instances they are decidedly different.

The CHAIRMAN. The United States Steel Corporation gets a less rate than anybody else, I presume, does it not?

Mr. RYAN. No, sir; they are charged the same rate as any other shipper of similar products.

The CHAIRMAN. You are their agent in that trade to the west coast of South America, are you not?

Mr. RYAN. Yes, sir.

The CHAIRMAN. Did you make the arrangement with the Grace Company?

Mr. RYAN. No, sir; I did not make that arrangement.

The CHAIRMAN. You heard the statement of Mr. Bouvier that the United States Steel Products Co. get a differential of about 15 per cent on their shipments, did you not?

Mr. RYAN. I understood that Mr. Bouvier referred to an arrangement for exchange of freight when either company was short of measurement or weight cargo, as the case may be. A purely exchange arrangement as regards exchanging, say 500 or 1,000 tons of measurement cargo, when our ship was short of such necessary cargo for safe stowage and seaworthiness in return for a similar quantity of weight cargo, which we might be in a position to furnish them with for the same reason. The rate referred to by Mr. Bouvier, in that case, would be merely nominal and would have no bearing on general freight rates; it would be simply a natural exchange and a custom which obtains in the shipping trade in order to facilitate sailings.

The CHAIRMAN. Do you transact any other business or transport any other freight to the west coast of South America by way of the Straits of Magellan than for the United States Steel Products Co.?

Mr. RYAN. Yes, sir; all that I can get of it.

The CHAIRMAN. When shippers ask you to quote freights, what do you quote as a basis of rates?

Mr. RYAN. I quote a rate that I think will bring the business. If I require the measurement cargo, I quote whatever seems necessary to bring the business. Sometimes I am higher and sometimes I am lower. In a great many cases I am not able to get the business at any rate.

The CHAIRMAN. But you are not in an agreement with them at all—you have no understanding with them, have you?

Mr. RYAN. No, sir.

The CHAIRMAN. No friendly arrangement with them?

Mr. RYAN. No; there is no arrangement.

The CHAIRMAN. You have no regular sailings to the west coast, have you?

Mr. RYAN. We have six steamers which make about 12 to 14 sailings each year.

The CHAIRMAN. How many sailings do you have from New York to the west coast of South America?

Mr. RYAN. About 12 to 14 a year.

The CHAIRMAN. What days of the month do your steamers go from the port of New York?

Mr. RYAN. That all depends on the time it takes to make the round voyage.

The CHAIRMAN. Do your rates conflict with those of W. R. Grace & Co.?

Mr. RYAN. Very much so.

The CHAIRMAN. Do you often have two steamers due at the same time in the month, loading at the same time?

Mr. RYAN. You mean the Grace Co. and ourselves, respectively?

The CHAIRMAN. Yes.

Mr. RYAN. Yes; and also Wessel, Duval & Co. Sometimes we are all on the berth at the same time.

The CHAIRMAN. So there is no arrangement between you by which the steamers shall sail at different times in the month?

Mr. RYAN. Absolutely none.

The CHAIRMAN. Is there any such arrangement with you on the westbound traffic?

Mr. RYAN. Absolutely none.

The CHAIRMAN. I believe you say you also trade on Bahia Blanca?

Mr. RYAN. Yes, sir.

The CHAIRMAN. How are the rates fixed to that port?

Mr. RYAN. They are practically governed by the market, fluctuating almost every week or so.

The CHAIRMAN. Do you conform to the conference line rate to Bahia Blanca?

Mr. RYAN. Positively not.

The CHAIRMAN. Do you know what the conference lines rates are?

Mr. RYAN. I have a fair knowledge of them; yes, sir.

The CHAIRMAN. Do you have a copy of them in your office?

Mr. RYAN. No, sir; I make memoranda from time to time and keep myself posted by making inquiry of shippers and brokers. There is no such thing as regular rates to this port.

The CHAIRMAN. Referring to your rates to Bahia Blanca, you sent us a schedule of your rates and we found that wherever the articles are the same that your rates from New York to Bahia Blanca are just $2\frac{1}{2}$ cents less than the Lamport & Holt rates per cubic foot.

Mr. RYAN. Yes; about \$1 per ton on measurement cargo—a pretty good reduction.

The CHAIRMAN. But the uniformity is what strikes us.

Mr. RYAN. We try to get the market rate, but there are a good many steamers for that port and the rates fluctuate so that if we get within $2\frac{1}{2}$ cents per cubic foot, or say, \$1 per ton, we think we are doing well.

The CHAIRMAN. You had a copy of their rates, did you not?

Mr. RYAN. Not a copy of their rates; no, sir. I have a general knowledge of their rates through shippers and brokers.

The CHAIRMAN. And your rates are just $2\frac{1}{2}$ cents less on the commodities where you quote a rate on the same commodity, are they not?

Mr. RYAN. In some instances, more or less. They appear to work out $2\frac{1}{2}$ cents less; however, some of those rates have changed since I gave you that list.

The CHAIRMAN. That is, you mean to say you have altered the rate?

Mr. RYAN. There are constant changes depending upon whether cargo is scarce or plentiful.

The CHAIRMAN. Of course the figures in red ink on this sheet were made by us after comparison with the Lamport & Holt rates. That is the way we discovered they were just $2\frac{1}{2}$ cents less, and it was a coincidence which would naturally attract the attention of the average man as to just how that happened, unless there was some understanding that you were to conform to the rate or make your rate a certain proportion less.

Mr. RYAN. It is nothing more than a coincidence.

The CHAIRMAN. Is there anything else?

Mr. AYRES. How large a percentage of the freight you carry is for your own company?

Mr. RYAN. That varies from 40 to 60 per cent.

Mr. AYRES. For your own company?

Mr. RYAN. For our own company, yes. I believe Mr. Bouvier mentioned that outside his line the others carried about 100,000 tons per year. Consulting my records I find that in 1910 our line carried about 60,000 tons; in 1911 about the same quantity, and in 1912 about 90,000 tons.

Mr. AYRES. The testimony of Mr. Jaffray and Mr. Bouvier as to the amount of freight shipped by their lines was about the same, that each one carried perhaps 60 per cent of their own goods and therefore of the trade between New York and the west coast of South America practically one-half of it, or a little more than one-half, perhaps two-thirds, is controlled by your three big firms, is not that the fact?

Mr. RYAN. That seems correct.

Mr. AYRES. Then the trade on the west coast of South America is really in a little different condition than the trade in other lines?

Mr. RYAN. Yes.

Mr. AYRES. That is not true of the trade in the River Plata, is it, or to South America?

Mr. RYAN. That is on a totally different basis. It would seem from our respective positions that we are all more or less independent, having our own nucleus to trade on. In fact, I might mention to you that our line was established as a result of contracts with Chilean Government in the development of the Chilean state railways, providing for some hundreds of thousands of tons of freight, which had to be moved forward periodically.

Mr. AYRES. Did you not formerly ship down to the west coast of South America by the Barber Line?

Mr. RYAN. Barber & Co. were loading agents.

Mr. AYRES. Can you tell the committee how it happened that Barber & Co. left that trade on the west coast?

Mr. RYAN. It seemed to be a disagreement between the principals, the details of which I was not acquainted with. The line was developing and the business growing, and called for special attention. I had handled it and the United States Steel Products Co. required some one to give their undivided attention to it and I was appointed agent for the line.

Mr. AYRES. There was no agreement, then, between your firms and the Barber Co. that they should leave the coast entirely, was there?

Mr. RYAN. Absolutely none; in fact, they or anyone else could go into the trade at any time.

Mr. AYRES. May I ask how many ships you are chartering on time charters?

Mr. RYAN. There are six operating constantly, and we hope to increase the number if the trade warrants.

Mr. AYRES. You sail those under foreign flags, do you not?

Mr. RYAN. The owners of the ships are a British firm, and the ships are under the British flag.

The CHAIRMAN. I believe you said your company was a company and not a corporation, did you not?

Mr. RYAN. It is a branch of the United States Steel Products Co.; the New York & South America Line is a trade name.

Mr. HARDY. Who owns it; the United States Steel Products Co.?

Mr. RYAN. It is a shipping facility of the Steel Products Co.

Mr. HARDY. It is just a branch of theirs, which runs under this name, is it?

Mr. RYAN. Yes, sir.

Mr. HARDY. How do they get the British flag?

Mr. RYAN. The ships are owned by a British firm; the Products Co. charters them.

Mr. HARDY. I know; but do you not have to get a British incorporation to get the British flag?

Mr. RYAN. Not as charterers. The ships are owned by Charles G. Dunn & Co., of Liverpool, England.

Mr. HARDY. The owners of the ships are British, are they?

Mr. RYAN. Yes, sir.

Mr. AYRES. When the Panama Canal is opened, you are planning to use the canal, are you not, for that trade?

Mr. RYAN. We hope to, but so much depends on that question that we could not positively state at this time.

Mr. AYRES. How do you mean that so much depends on it?

Mr. RYAN. The question of operating.

Mr. AYRES. Do you mean the tolls?

Mr. RYAN. The tolls are an item. The maintenance of the ships under the American flag is, of course, more expensive than under the British flag.

Mr. AYRES. Do you mean the running of the ships?

Mr. RYAN. Yes, sir.

Mr. AYRES. But if the differential is \$1.50 a ton, you can put your ships, perhaps, under the American flag. I mean, if you got through to that South American trade free?

Mr. RYAN. That would largely bring it about.

Mr. AYRES. But you are considering that question, are you not?

Mr. RYAN. Yes: it is being considered and may eventuate.

Mr. AYRES. I should like very much to ask Mr. Duval another question, if I may. Mr. Duval, I heard a rumor that your firm is building four or five ships now in American shipyards for use in the Panama Canal to that South American trade?

Mr. DUVAL. No: not to South America. The California trade, the coastwise trade.

Mr. AYRES. You are interested in it, are you not?

Mr. DUVAL. Yes: we are building them for that trade.

Mr. STEPHENS. How many such ships are being built?

Mr. DUVAL. Four.

Mr. STEPHENS. And what is the amount of tonnage?

Mr. DUVAL. About 40,000 tons dead-weight.

Mr. JAFFRAY. May I insert one item? Reference has been made as to the proportions of shipments and the amount of tonnage on the three lines. I should like it noted that ours is the only one of the three lines which goes directly to the west coast without stopping on the east coast, so any estimates made as to the number of steamers, or proportions of shipments, should have that in mind to reach the proper conclusion.

Mr. AYRES. You do not stop at Bahia Blanca, do you?

Mr. JAFFRAY. No, sir.

The CHAIRMAN. Mr. Ryan, I believe you say you are also agent for the Isthmian Steamship Line?

Mr. RYAN. Yes, sir.

The CHAIRMAN. Is that a corporation?

Mr. RYAN. It is a trade name and is a facility of the Steel Products Co.

The CHAIRMAN. By the United States Steel Products Co.?

Mr. RYAN. Yes, sir.

The CHAIRMAN. Does that line participate in any way in the pooling arrangement mentioned in the case of the United States against the American & Asiatic Steamship Co.?

Mr. RYAN. No, sir.

The CHAIRMAN. Have you any arrangement or agreement with any other line in reference to freight rates?

Mr. RYAN. No agreement of any kind.

The CHAIRMAN. Or sailings, or division of traffic, or in other regard whatever?

Mr. RYAN. It is a special line of itself.

The CHAIRMAN. How are the rates fixed?

Mr. RYAN. The steamers are chartered for full cargoes.

The CHAIRMAN. Are the steamers chartered outright?

Mr. RYAN. They are chartered outright.

The CHAIRMAN. Are they time charters?

Mr. RYAN. No, sir; they are single-trip charters. They go off charter with the delivery or discharge of their cargo at destination.

The CHAIRMAN. What proportion of the freight carried by this line is the produce of the United States Steel Corporation?

Mr. RYAN. The total cargo shipped is that of the United States Steel Products Co.—generally railway materials.

Mr. HARDY. I should like to ask you just one question. Why is it more expensive to run these boats under the American flag, if they cost no more, than to run them under the English flag?

Mr. RYAN. Experience has shown it to be so. Under present legislation foreign ships can not be converted to our flag.

Mr. HARDY. I am not speaking about the legislation which will enable you to convert them, but if you had those ships why would it be any more expensive to run them under the American than under the British flag.

Mr. RYAN. Wages paid Americans in the merchant marine are higher than paid in foreign ships.

Mr. HARDY. Do you not get your crews in New York and at other points of the line?

Mr. RYAN. We get foreign seamen and foreign crews in New York; very few Americans.

Mr. HARDY. Could you not run your ship under the American flag with the same crew you do now?

Mr. RYAN. Partially.

Mr. RYAN. Why would they charge you any more if you were under an American flag?

Mr. RYAN. If you refer to the crews, it is all a question of wages.

Mr. HARDY. In what way would it be more expensive to run under the American flag?

Mr. RYAN. There are various phases of the question. I am a ship agent and not an owner. I am not fully acquainted with the various details.

Mr. HARDY. You made the statement, and I want to get an understanding of it.

Mr. RYAN. I made the statement based on what I have understood to be the experience of others.

Mr. HARDY. In other words, you took the statement of others as being correct, did you?

Mr. RYAN. Well, pretty much so; but I am making a study of it.

Mr. HARDY. I wish you would, and see why you can not run those ships over the same line, under the same crew, under the American flag.

Mr. RYAN. I hope there will be suitable legislation with a view to building up our foreign trade. Anything that can be done to facilitate the commerce of our country along economical lines should be done.

Mr. HARDY. To be frank, I do not think it would cost one cent more, except you would have to pay more for your ship, and a whole lot more, because we will not let British-built ships fly our flag.

TESTIMONY OF MR. BOUVIER—Continued.

Mr. AYRES. Referring to those cargo steamers you are having built for California trade, Mr. Bouvier, has not Grace & Co., previous to this, in other years, considered the subject of building boats in American shipyards?

Mr. BOUVIER. Yes.

Mr. AYRES. And you have, in former years, received quotations from American shipbuilders, have you not?

Mr. BOUVIER. Yes.

Mr. AYRES. You found the prices higher than across the ocean, did you not?

Mr. BOUVIER. Yes; very much.

Mr. AYRES. But comparing those prices you have received for cargo steamers in former years with the prices you are building these ships at, are these prices a reduction from the prices of former years? That is, can you build now cheaper than you could a few years ago?

Mr. BOUVIER. No, sir.

Mr. AYRES. About the same?

Mr. BOUVIER. No; we have had different prices at different times. The percentage has been 50 and 60 per cent higher; I think these are about 70 per cent higher.

Mr. AYRES. I mean, comparing the present American quotations with former American quotations, are the prices now a little less than some years ago?

Mr. BOUVIER. I think there is no difference. I think they are about the same.

Mr. WILSON. Do you know about what the relative difference is between American-built vessels and those built abroad as compared with previous offers?

Mr. BOUVIER. Just at the moment it is very much less, because the price of ships has gone up the last eight or nine months on the other

side; but we are getting our new ships from the other side now—British ships—and will not duplicate the price, and the price at Philadelphia is about 70 per cent higher.

Mr. HARDY. Seventy per cent higher than those of the British?

Mr. BOUVIER. Yes.

Mr. STEPHENS. They were contracted for how recently?

Mr. BOUVIER. They were contracted for the 15th of August, but these ships contracted in England were contracted for a year ago. A year ago they would be very much higher.

Mr. STEPHENS. If you had a contract for a ship to be built, what would you think would be the difference between the price made you in Cramps and in British shipyards to-day?

Mr. BOUVIER. To-day?

Mr. STEPHENS. Yes.

Mr. BOUVIER. About 30 to 35 per cent to-day.

Mr. STEPHENS. As against 70 per cent a year ago, or something like that?

Mr. BOUVIER. Yes.

The CHAIRMAN. Do I understand you to say that it costs about 30 or 35 per cent more to build a ship at Cramps to-day than it does to build the ship abroad?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. In England?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. And about a year ago about 70 per cent more?

Mr. BOUVIER. Yes, sir.

The CHAIRMAN. The difference, then, is about one-half?

Mr. BOUVIER. Yes; just about.

The CHAIRMAN. But the price at Cramps has not materially decreased, has it?

Mr. BOUVIER. No, sir.

The CHAIRMAN. But the foreign price has increased?

Mr. BOUVIER. That is it, sir.

The CHAIRMAN. So the only hope is that after awhile the foreign price will increase until the two come together?

Mr. BOUVIER. Come together; yes.

The CHAIRMAN. Otherwise there is no chance of us building ships for the foreign trade, is there?

Mr. BOUVIER. No, sir.

The CHAIRMAN. If there is nothing further, we will adjourn until Tuesday morning, January 21, at 10.30 o'clock a. m.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 21, 1913

No. 8



WASHINGTON
GOVERNMENT PRINTING OFFICE

1913

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

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WILLIAM B. WILSON, Pennsylvania.

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STEVEN B. AYRES, New York.

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CLAUDE U. STONE, Illinois.

JAMES D. POST, Ohio.

JOHN M. FAISON, North Carolina.

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— — —

WILLIAM S. GREENE, Massachusetts.

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ASHER C. HINDS, Maine.

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WILLIAM D. STEPHENS, California.

THOMAS PARRAN, Maryland.

H. H. GARVER, *Clerk.*

DR. S. S. HUEBNER, *Expert to Committee.*

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Tuesday, January 21, 1913.

The committee met at 11 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Ayres, Thayer, Burke, Stone, Humphrey, Post, Faison, and Stephens.

TESTIMONY OF ERNEST M. BULL, VICE PRESIDENT A. H. BULL STEAMSHIP CO., 10 BRIDGE STREET, NEW YORK.

The CHAIRMAN. Please give your name and address and business in which you are engaged to the stenographer.

Mr. BULL. Ernest M. Bull, vice president of the A. H. Bull Steamship Co., 10 Bridge Street, New York.

The CHAIRMAN. And you are a son of A. H. Bull?

Mr. BULL. Yes, sir.

The CHAIRMAN. The witness who appeared here a few days ago?

Mr. BULL. Yes, sir.

The CHAIRMAN. Tell the committee what your duties are as vice president of that company.

Mr. BULL. Why, I have had charge of a line that we are running to Stockton Springs, Me., where we connect with the Bangor & Aristook Railroad, and have had more or less to do with the traffic, the getting of freight, and making arrangements for freight and charters in all our business.

The CHAIRMAN. As I understand, your line is engaged in the coastwise trade?

Mr. BULL. Yes, sir.

The CHAIRMAN. Not only to Stockton Springs, Me., to Porto Rico?

Mr. BULL. Yes, sir.

The CHAIRMAN. And are you also engaged in the trade to other points on the south coast?

Mr. BULL. Yes, sir. We have five steamers that are doing a "tramping" business, as they call it—taking full cargoes and not package freight or parts of cargo from different people, but chartering right out to one shipper to load the steamer to its entire capacity.

The CHAIRMAN. What ports do those steamers run to?

Mr. BULL. The tramp steamers run to practically all the ports where they can secure the best business.

The CHAIRMAN. You mean all the ports on the Atlantic seaboard?

Mr. BULL. Yes, sir.

The CHAIRMAN. Do any of them run to the northern ports?

Mr. BULL. Yes, sir.

The CHAIRMAN. Now, name the different ports.

Mr. BULL. During the last year we have taken cargo to and from the Gulf ports—Boca Grand, Port Tampa, New Orleans, Galveston, Texas City, and Key West.

The CHAIRMAN. What ports on the Atlantic seaboard?

Mr. BULL. On the Atlantic seaboard—Mayport, Georgetown, and Stockton Springs, and we take cargo into Baltimore, Carteret, N. J., and Weymouth, Mass, and Philadelphia.

The CHAIRMAN. Referring to your steamer doing a tramp business—you call them “tramp steamers”—tell the committee if you have any difficulty in securing berths for your steamers to these various ports to which you have referred.

Mr. BULL. The tramp steamers, as a rule, will take cargo from a railroad terminal and take it right to a man's factory or to his lumber yard, if it is lumber, or if it is phosphate rock from Tampa or Boca Grand it goes right to the factories. There is no trouble in getting berths for that kind of freight. Almost all of that freight is carried on local rates up to the port, and there is no through rates, with the exception that I believe the Philadelphia & Reading Railroad make a through rate from its lines on hard coal to Boston. With that exception I do not know of any other rate on bulk cargoes, as far as phosphate rock or coal or anything of that kind is concerned. I do not know why they have not done it; they could do it and tie it up just like they have the packet freight business if they set about to do it, and I think at Philadelphia the hard coal carrying is pretty well confined to the barges belonging to the Philadelphia & Reading Coal Co.

The CHAIRMAN. What has been your experience, in the operation of your steamers, with reference to packet freight?

Mr. BULL. Well, as to packet freight along the coast it is almost impossible to get any. A man has no chance before he commences. The only way we have been able to get into this business in Maine was that the Bangor & Aroostook is the only independent railroad in New England; that is, outside of the big systems—the Grand Trunk or the New Haven interests. There is a paper company there that were having difficulty about getting their paper to New York in such quantities and with delivery as promptly as they wanted, and after trying schooners they decided that they would try steamers, and we made a contract with them to carry the output of their mills into New York.

There was sufficient tonnage in this contract to keep us going—not much profit in it, or not any profit; that is, if we could not get anything else. but it looked to us as if it was a good chance. There were large quantities of potatoes raised in Aroostook County, and every winter there is a shortage of cars, so that if we could get the proper rates down to the port we could offer something better than the merchants and shippers of potatoes had. We had no agreement with the railroad whatever, but went ahead and built a ship after we had this contract, especially for this business. Then, after it was pretty near completed I saw the railroad people and they put in local rates on their road to Stockton Springs, or Cape Jellison as they call the

terminal where we land, and we started to do business up there. Maybe I can show you here [referring to map]. Cape Jellison is at the mouth of the Penobscot River. Stockton Harbor is an excellent harbor, with good water, though it has been improved, I think, in the last year by considerable dredging that the Government did, and the road runs up to the Canadian border. From Portland to Northern Maine Junction, where the Bangor & Aroostook Railroad connects with the Maine Central, 134 miles. There is territory right around the northern part of Maine of which we will say Bangor is a center. Northern Maine Junction is 5 miles from Bangor. That has considerable business both east and west from New York. The local rates that the Bangor & Aroostook put in when we started to points on their road enabled us to reach practically all their territory at a differential rate. The way the business was moving before we went in there was to Portland and then by rail from Portland to Northern Maine Junction and then up the Bangor & Aroostook road. We saved these 134 miles. To be exact, we are 28 miles from Northern Maine Junction, so that was about 106 miles saving in the rail haul, and of course after you get your cargo loaded on a steamer the expense of taking it into Stockton was no more than taking it into Portland. We thought that we should have a lower rate than the rate via Portland to all this territory that was no greater distance from Portland than it was to Cape Jellison, Stockton Harbor.

As I have already said, the Bangor & Aroostook put in rates that were all right. They would not put in through rates, but they gave us a local rate that enabled us to make our rates up to the seaport point, and in that way to carry a differential rate to all their points. We did not try to get into the Maine Central district at once, for the simple reason we wanted to demonstrate we were there and were there to stay, and were not there just to sell out as most of the other companies who have gone into New England have done, to the New Haven interests. We went in there to build up a business, and we ran there for over a year, to make our trips. On March 7 we wrote Mr. Hobbs, who was vice president of the Maine Central Railroad, March 7, 1912, as follows:

MARCH 7, 1912.

Mr. GEORGE S. HOBBS,
Maine Central Railroad, Portland, Me.

DEAR SIR: As you probably know, we have been running a line of steamers between New York and Stockton for something over a year. We have exchanged some freight with your road by using your local tariffs from Stockton. These tariffs, however, do not permit us to reach very many of your stations.

The geographical location of Stockton makes it the natural seaport outlet for all points in Maine that are at least no greater distance from Stockton than they are from Portland. This is especially true in reference to points north and east of Northern Maine Junction. Still, your tariffs to and from Stockton show higher rates than the tariffs to these same points to and from Portland.

We have had a number of inquiries lately for freight rates, and we are writing you to ascertain if you would be willing to either enter into some traffic arrangement whereby we could issue through bills of lading to and from stations on your line, as outlined above; or would you be willing to make local rates to and from Stockton that would enable the freight to take its most natural route?

Hoping this matter may receive your favorable consideration, we remain,
Yours, truly,

ERNEST M. BULL, *Vice President.*

I have this reply:

PORTLAND, ME., March 9, 1912.

E. M. BULL,
Vice President A. H. Bull Steamship Co.,
10 Bridge Street, New York, N. Y.

DEAR SIR: I have your favor of the 7th instant in regard to interchange traffic for points on our road, via Stockton Harbor, east and north of Northern Maine Junction.

In response to your query will advise that I do not see how we can consistently make any rates to and from the territory named via Stockton Harbor at less than the local rates named now in force.

Yours, truly,

GEO. S. HOBBS, *Second Vice President.*

This correspondence has been carried on, and there have been four letters, at different times up to October 22, which is the date of the last letter we have from him, and still maintaining the position that he would not do anything.

Mr. HARDY. I would like you to read all those letters, if there is no objection by anyone else.

Mr. BULL. Shall I read all of them?

Mr. HARDY. Yes.

Mr. BULL. After that I allowed the matter to rest, and we filed some tariffs with the commission, and I have this letter from Mr. Hobbs of October 8, 1912:

PORTLAND, ME., October 8, 1912.

ERNEST M. BULL,
Vice President A. H. Bull Steamship Co.,
10 Bridge Street, New York, N. Y.

DEAR SIR: With reference to the matter of freight traffic moving through Stockton Harbor in both directions to and from stations on the Maine Central Railroad:

Will you please advise me if your freight tariffs are now published with the Interstate Commerce Commission, in order that we may know whether we can properly issue bills of lading on shipments routed from our stations via your line.

We would like this information, with copies of tariffs, at an early date, in order to know just what instructions to issue to our agents on this subject.

Yours, truly,

GEO. S. HOBBS, *Second Vice President.*

In reply to that letter I wrote as follows on October 14, 1912:

OCTOBER 14, 1912.

Mr. GEO. S. HOBBS,
Second Vice President Maine Central Railroad Co., Portland, Me.

DEAR SIR: Your favor of October 8 received. Inclosed please find copies of tariffs that we have filed with the Interstate Commerce Commission.

In reference to the interchange of business with your company, we beg to call your attention again to our letter to you of March 7. I can not help but feel that the rates to and from points on your line are most unfair in trying to force business through Portland which, from Stockton Springs' geographical location, would naturally pass through that port. Your letter makes me hope that possibly you see the injustice of this situation and perhaps are now willing to make more equitable rates to and from points no greater distance from Stockton than they are from Portland.

Yours, truly,

ERNEST M. BULL,
Vice President.

We received no answer to that, but he wrote us again on October 18, 1912, asking for copies of some other tariffs that we had filed with

the commission. We answered that letter on October 21, 1912, as follows:

OCTOBER 21, 1912.

Mr. G. S. HOBBS.

Second Vice President,

Maine Central Railroad Traffic Department, Portland, Me.

DEAR SIR: Your favor October 18, file 45, reference I. C. C., Nos. 1 and 3, received. No. 1 is an index number, and No. 3 is the official classification which we were obliged to file in order to use same until the next classification is published. The tariffs we have already sent you complete all I. C. C. tariffs.

We are rather disappointed not to have anything from you in reference to change of your tariffs between points on your road and Stockton Harbor. We have repeatedly called your attention to the fact that many rates from Portland that are anywhere from a mile to 100 miles nearer Stockton Springs are lower than they are from the latter point. In all fairness some adjustment of this situation should be made, and we had hoped when hearing from you previously that it showed an inclination to adjust these unfair and discriminatory rates. We are therefore disappointed to have your letter without your touching on this subject at all.

Will you kindly advise us what your attitude is in reference to these rates, and oblige,

Yours, truly,

ERNEST M. BULL, *Vice President.*

On October 22, 1912, we had this reply:

PORTLAND, ME., October 22, 1912.

E. M. BULL,

Vice President A. H. Bull Steamship Co.,

10 Bridge Street, New York, N. Y.

DEAR SIR: Referring to your favor of the 21st instant, will ask if it is your proposition to make the same through-freight rates between points in the State of Maine and New York City via Stockton Harbor as are currently in effect via Portland and Boston on the same commodities.

Upon receipt of your reply, the matter referred to in your letter will be given further consideration.

Yours, truly,

GEO. S. HOBBS, *Second Vice President.*

Our next letter was October 25, 1912, to which we have had no reply. It is as follows:

OCTOBER 25, 1912.

Mr. GEO. S. HOBBS,

Second Vice President Maine Central Railroad, Portland, Me.

DEAR SIR: Your favor October 22 received. To make all the rates via your line the same as the current rates now in effect in the State of Maine would be to acknowledge that there was no advantage in water transportation and that the geographical position of Cape Jellison is of no advantage to the neighboring territory.

We do not expect rates to points nearer Portland than they are to Cape Jellison to be as low as via Cape Jellison as they are via Portland, nor do we believe that rates via Portland should be as low to points adjacent to Cape Jellison as they are via the latter port. In other words, certain sections of northern Maine are entitled to the advantages of water transportation through the excellent harbor and terminal facilities of Stockton Harbor.

In addition to this fact, the services via Stockton Springs are only weekly as against the more frequent sailings through Boston and Portland.

However, our main reason for a differential rate from certain points is that the traffic through Cape Jellison follows the most economical course, and when you can avoid 100 miles of rail haul, the public is entitled surely to at least some of the saving from the more economical water route.

Yours, truly,

ERNEST M. BULL, *Vice President.*

We have no reply to that. I also wrote to the Canadian Pacific Co., as they connected with the Bangor & Aroostook Railroad at Brownville Junction, as follows:

NEW YORK, August 24, 1912.

Mr. W. M. KIRKPATRICK,
Vice President, Assistant Freight Traffic Manager,
Canadian Pacific Railroad, Montreal, Canada.

DEAR SIR: Probably you know we are running steamship service between New York and Stockton Springs, Me., where we connect with the Bangor & Aroostook Railroad.

We have had a number of inquiries for rates to your short line points in Maine, also St. John, St. Stephen, Milltown, Woodstock, Fredericton. On account of the geographical location of Stockton Springs, the most economical way to ship this business would be through that point via Brownville Junction. However, at the present time the rates in effect from that point being materially higher than from Portland, in most instances, prevents us from handling any of this business.

Would your company be willing to join with us in making through rates to the points mentioned, and any other that we might mutually find advantageous?

We believe that on account of the longer water haul from New York, that we could afford to establish a differential rate via Stockton Springs, but if this is objectionable to you, would you be willing to join us in establishing the present through rates to the points above mentioned.

We are sending a copy of this letter to Mr. Wicke, general freight agent of the Bangor & Aroostook Railroad, asking if he would be willing to join in these rates, if your company consents to them.

Yours, truly,

ERNEST M. BULL, Vice President.

In reply to that we received the following letter:

MONTREAL, August 29, 1912.

E. M. BULL, Esq.,
Vice President A. H. Bull Steamship Co., New York, N. Y.

DEAR SIR: Referring to your letter of August 24, regarding rates to points on our line in Maine and New Brunswick via Stockton Springs and Brownville Junction.

I have given this matter consideration, but at the present time can not see our way clear to join in through rates via the route in question.

Yours, truly,

W. M. KIRKPATRICK,
Assistant Freight Traffic Manager.

The letters above incorporated into the record were marked "Exhibit No. 56" and filed with the committee.

Mr. BULL. Just to illustrate that, I jotted down here one or two rates. For example, the rates from Portland to Lincoln, Me., which is about 50 miles north of Bangor, on the six classes are 33 cents, 28 cents, 23 cents, 18 cents, 14 cents, and 11 cents.

To arrive at the rate from Cape Jellison or Stockton Harbor we have to add the local tariff to Northern Maine Junction and then use a Maine Central local tariff from Northern Maine Junction to Lincoln. Adding those two together makes the rates on the different classes 39 cents—

Mr. HARDY. That is, from Portland to where?

Mr. BULL. From Portland to Lincoln, Me. Lincoln is north of Bangor about 50 miles or 60 miles. I will just draw a line around Stockton Springs [marking on map]. Lincoln is up there, Stockton Harbor is here, and Portland, you see, is away down here.

Mr. HARDY. Now, go over your illustration again.

Mr. BULL. I will make the comparisons of the different classes. From Portland to Lincoln first-class freight is 33 cents. From Stockton Harbor to Lincoln it is 39 cents; on second-class freight—

The CHAIRMAN. That would be 6 cents less from Portland to Lincoln than from Stockton Harbor to Lincoln?

Mr. BULL. Yes, sir.

The CHAIRMAN. The distance is how much greater?

Mr. BULL. The distance from Portland is 106 miles, and there is this from Cape Jellison——

The CHAIRMAN. To Stockton Harbor?

Mr. BULL. To Stockton Harbor; yes.

Mr. HUMPHREY. That is, you charge higher on the shorter haul?

Mr. BULL. Higher on the shorter haul; yes, sir. On second class the rate from Portland to Lincoln is 28 cents; from Cape Jellison it is 32 cents.

The CHAIRMAN. I would suggest that you be uniform; you mean Stockton Harbor?

Mr. BULL. Yes; the particular dock we land at is called Cape Jellison. I am afraid I do use one term for the other.

The CHAIRMAN. Now, repeat that from Portland to Lincoln.

Mr. BULL. From Portland to Lincoln the second-class freight is 28 cents. From Stockton Harbor to Lincoln the second-class freight is 32 cents.

Mr. HUMPHREY. Is Lincoln a common transfer point?

Mr. BULL. No, sir; it is just a point taken at random. I could take Eastport or any place up there, and you would see the same difference in the rates.

Mr. HUMPHREY. The object being what? To throw the trade to Portland?

Mr. BULL. Yes; so the Maine Central gets a longer haul.

The CHAIRMAN. They want to throw it to Portland because they own the line to Portland?

Mr. BULL. Yes, sir. We are the only independent line that is running into New England from New York, as far as I know.

Mr. HARDY. The Bangor & Aroostook Railroad gave you fair rates?

Mr. BULL. They gave us fair local rates; that is, they made their rates locally so we could do business.

Mr. HARDY. How far toward Lincoln, for instance, does that road go——

The CHAIRMAN (interposing). Is there any steamship line running from Portland to New York?

Mr. BULL. Yes, sir; the Maine Steamship Co., which is part of the Eastern Steamship Co. now.

The CHAIRMAN. What railroad does that belong to now?

Mr. BULL. I suppose that as the Eastern Steamship Co. has taken over the Metropolitan Line the New Haven road is largely interested in it.

Mr. HARDY. That is, the New York, New Haven & Hartford?

Mr. BULL. Yes, sir.

The CHAIRMAN. Is this about the genealogy of that concern—what company is that?

Dr. HUEBNER. That has been taken over by the Eastern Steamship Corporation?

Mr. BULL. Yes, sir.

Dr. HUEBNER. And the majority of the stock in the Eastern Steamship Corporation is owned by the New England Navigation Co.?

Mr. BULL. I believe so.

Dr. HUEBNER. And all the stock of the New England Navigation Co. is owned by the New Haven Railroad?

Mr. BULL. I believe so.

The CHAIRMAN. So that it belongs to the Hartford and New Haven Railroad?

Mr. BULL. Yes, sir; that is my belief.

Mr. THAYER. Is there any railroad commission in Maine?

Mr. BULL. I believe that a railroad commission has just been appointed, but I am not certain about that.

Mr. THAYER. You do not know whether you could apply to them——

Mr. BULL. All these rates that I am speaking of are under I. C. C. numbers. You may think I should take them then to the Interstate Commerce Commission. Well, the trouble with that is this. While the last session of Congress, I understand, did pass a law in which they gave the power to the commission to name through rates, even though one of the connecting lines was a water carrier, as far as I could see, if the railroads fought it it would be carried up to the Commerce Court and we might get a decision any time in the next two or three years.

I have thought that the Maine Central, on account of the congestion and the lack of cars at certain times of the year, would find out we were really a help to them, and we would be a help to them, and we would be a help to their merchants. If they can sell their seed potatoes in Maine and get the money and get it quick—they only want seed potatoes at certain times of the year, and after that time has gone there is no use for them. I thought they would come around to see that if we simply minded our own business and worked along with what we had they would come around to that point of view, because there are other considerations in it. There is a paper mill in Madison that we could probably have gotten some business from to New York. There is a rate from Madison to Portland of 7 cents where the paper is destined for points beyond Portland; say, for example, into New York. The distance from Madison to Portland is 99 miles. The distance from Madison to Northern Maine Junction is 80 miles. This paper mill asked the Maine Central Railroad if they would put in the same rate up to Northern Maine Junction as they did into Cortland of 7 cents a hundred pounds. They would not do it. They put in a rate of 9 cents a hundred pounds. Then the rate from Northern Maine Junction to Stockton Harbor was 2 cents a hundred pounds.

Mr. HARDY. How far is it from Northern Maine Junction to Stockton Harbor?

Mr. BULL. One hundred and eight miles.

Mr. HARDY. One hundred and eight miles as against——

Mr. BULL. As against 99. It makes the difference of an 11-cent rate as against a 7-cent rate. If they had made the through rate 9 cents we could have done business on the 9-cent rate. We could have shrunk our proportion and had enough to make a very good thing of it at that. Cars are coming up from the South. There is more trade comes out of the northern part of Maine than goes in. They

could have taken those cars and had them up in the northern part of the State to take lumber and potatoes and things like that out. And I believed that sooner or later they would see that, and I believed that if we could get them around peaceably it was better than trying to force an issue.

Mr. HARDY. Are the Maine Central and the Boston & Maine the same road?

Mr. BULL. The Maine Central, the Boston & Maine, and the New York, New Haven & Hartford are all under one control, as I understand.

Mr. HARDY. What is the difference in trackage? Where is the Maine Central from and to, and where is the Boston & Maine from and to?

Mr. BULL. The Boston & Maine runs up to Portland, and then, I think, the southern part of Maine they cover. The Maine Central starts at Portland and carries on up the northern and eastern part of the State.

Mr. HARDY. They are all under the same management?

Mr. BULL. When you come right down to it, it all winds up in the New York, New Haven & Hartford, as I understand it.

Mr. THAYER. Is this New England Navigation Co. a steamship line which J. Pierpont Morgan separated from Morse in 1907?

Mr. BULL. Yes; I think Morse had the Metropolitan Line. The New England Navigation Co. now has it. You see, this general proposition, prorating with the railroad, makes it possible for a railroad at any port to absolutely throw their business the way they want it. You take, for instance, at Jacksonville or any of the southern ports. Suppose a man said, "Here, there is a pretty good business down there. People have made some complaints, and they have asked me to go in." Well, he would go in there, and beyond local business, the port-to-port business, he could not compete.

The older company that had the prorating arrangements with the railroad could cut the local business just as low as they pleased. On any business that was beyond the port they would maintain their rates, because almost in every case—I think probably Texas is the only States where everybody gets the same rate from the port—but in almost every case there is enough difference between the local rates to and from the port and the through rate so that the local line that had no prorating arrangement would simply get the loading and discharging expenses for his freight. If he got that he would be lucky, in some cases.

If that is permissible, there would be no way of stopping them from applying it to lumber, which the schooners carry now and some steamers carry and independents carry. They could apply it to coal; they could apply it to any commodity that they thought fit, and just as soon as they have a favored connection it makes no difference whether the line is owned by the railroad or whether it is a connection, with these privileges; there is absolutely no difference. In fact, I think railroad lines are just as well, because you know where to find them, and if it is a favored connection you do not know where it is.

Mr. WILSON of Pennsylvania. Do I understand from your statement that in the ports of all States except Texas, when a prorating

arrangement is made, that every steamship line is not permitted to participate in that prorating arrangement?

Mr. BULL. Yes, sir; that is true. Here is a case right here where they refused to do it, and it is so in everything. You take the Clyde Line—any of these lines—and they have their prorating arrangements; and, for example, supposing we wanted to take——

The CHAIRMAN. At what other ports have you tried to get prorating privileges and have been refused? Name the ports and name the railroads.

Mr. BULL. In 1907, just to get this information, without any idea that I could do it—I knew I could not—I do not recall the names or I do not recall who they are—but there was a concern that was using a great deal of pig iron in Port Chester, I think it was, and I asked them if I reduced the rate of 25 cents if they could load an entire steamer. They were buying their pig iron in Birmingham, Ala. I wrote the Southern Railway, if I remember rightly, and asked them what their rates on pig iron would be from Birmingham to Norfolk. They replied that the rate was \$3.25—the rate through——

Mr. HUMPHREY. That means a ton?

Mr. BULL. A ton; yes, sir.

The CHAIRMAN. To Norfolk in what State?

Mr. BULL. From Birmingham to Norfolk, Va. The through rate from Birmingham to New York was \$4.25, I think, at that time. That left a dollar for the loading and discharging of the pig iron at Norfolk. That was hardly margin enough to carry pig iron, because each car has to be kept separate, and it is not a very fast cargo to handle. At any rate, you could not make any saving on the through rate. I was not able to find out how that \$4.25 was divided between the Southern Railway and the existing line between Norfolk and New York. My idea is that the Southern Railway got \$2.50 to \$2.65 and left \$1.60 to \$1.75 to the Old Dominion Line. If I could have gotten \$1.60 or \$1.75 or less out of the through rate for my haul I would have been glad to have taken it for \$1.50 or \$1.40 at that time and made good money on it and saved the consumer the difference.

The CHAIRMAN. How is that?

Mr. BULL. I say if I could have gotten—if they would have carried it to Norfolk at the same rate they carried it to Norfolk on their prorating arrangement, say, from \$2.50 to \$2.60—there is no way I know of by which you could get that information; it is not published, at any rate—that would have left \$1.60 or \$1.75. We could have carried it for \$1.50 or possibly \$1.40 and have made money on it.

The CHAIRMAN. From Norfolk to New York?

Mr. BULL. From Norfolk to New York. That would have saved the man who was buying the pig iron 25 to 30 cents a ton. I simply give this as an illustration, not that the Old Dominion Line is any particular offender. It is the system, it has been the practice, and there has been nothing against it.

The CHAIRMAN. To what railroad does the Old Dominion Line belong?

Mr. BULL. I do not know. I think there are six that are interested in that. I do not know what their names are, but I understand that all the railroads that run into Norfolk—five or six of them—are interested in that line.

The CHAIRMAN. It is not an independent line?

Mr. BULL. No, sir.

The CHAIRMAN. Did you ask the Southern Railroad to give you the same rates from Norfolk to New York that was given the Old Dominion Line?

Mr. BULL. Yes, sir; and at that time it was perfectly legal and perfectly right that it should, because I wrote in reference to it. In 1907—the laws have been changed somewhat since then—I wrote to the Interstate Commerce Commission and asked them if that was so, and they said yes, that was, that they had the right; that there was nothing to stop them from doing that.

The CHAIRMAN. Did they give you the same rate that they gave the Old Dominion?

Mr. BULL. No; they had the right to give me the local rate and not the prorating arrangement. At that time, in 1907, they did have the right. On this last law there has been no decision rendered in any case of which I know, but I think the law would have covered. I believe on freight that is to be water borne from any port every line, every steamship company, should have the same rates as any other line, with no discrimination by prorating or other arrangement. They call it prorating; they do not call it discrimination, but it is.

The CHAIRMAN. Manifestly, if they would give you the same rate from Norfolk to New York they give to the Old Dominion Line, that would be discrimination.

Mr. BULL. You take last year, or the year before last, in these potato movements to the southeastern territory we did not have through rates with them; with any of the lines. We made application to the water lines out of New York and could not get any satisfaction. Finally the Old Dominion Line stepped in and helped us out, and they put in rates with us into the southeast. Then after that, although previous to that the Clyde Line had said they did not care to put any rates in with us; but we had to make the rates the same as the regular rates via the New York, New Haven & Hartford Road, or through any other source. If we shrunk our proportion, for example, up to New York, they got the benefit of that. We could not give that back to the shippers.

The CHAIRMAN. That is, the water rate had to be the same as the rail rate?

Mr. BULL. No; the connecting lines got the difference; they would not let us in on the same proportionate rate up to New York that they would via the New York, New Haven & Hartford, or other roads.

Mr. HARDY. You spoke of that as giving you the same rate from Norfolk to New York as they gave the Old Dominion Line; rather that would be giving you the same rate from Birmingham to Norfolk that they gave the Old Dominion Line, would it not?

Mr. BULL. Yes, sir; or give us the same through rate.

Mr. HARDY. In other words, they charge you no more from Birmingham to Norfolk than they charge the other roads in their rate writing differentiating?

Mr. BULL. They say not, because if we ship locally they charge the local rate, but you see they get around it by making a prorate and dividing the rate; so really nobody knows what that division is.

Mr. HARDY. The prorating with the Old Dominion Line would be the same, taking it from Birmingham to Norfolk, \$2.50 a ton?

Mr. BULL. Yes.

Mr. HARDY. And the Old Dominion Line gets the balance of the through rate?

Mr. BULL. Yes, sir.

Mr. HARDY. While with you they would leave you a less amount?

Mr. BULL. They charge the local rate up to Norfolk, for example, of \$3.25.

Mr. HARDY. And then leave you less than \$1 for your haul?

Mr. BULL. Yes, sir.

The CHAIRMAN. Is it your opinion, then, that the law should provide that the railroads should file with the Interstate Commerce Commission its local rate, for instance, from Birmingham to Norfolk, and its through rate from Birmingham to Norfolk, and that rate should be open to all steamship companies trading to that point?

Mr. BULL. Yes, sir; with the proviso that the company that is going to handle the freight from their connecting road has some responsibility. I think it is only fair to protect the shipper to that extent.

Mr. HARDY. Would not the real solution of it and the only solution of it ultimately be to prescribe that the rates from Birmingham, for instance, to Norfolk should be an absolute rate and never varied from in combination with any railway—I mean with any ship line?

Mr. BULL. That is a traffic matter.

Mr. HARDY. In other words, to stop the prorating?

Mr. BULL. That is a traffic matter that I do not know. Your idea is to make the rates up to Norfolk, for example, or up to any tide-water point, absolutely the same?

Mr. HARDY. Yes; to have no prorating by which the local rates will vary.

Mr. WILSON. I did not quite understand that potato shipment. Do I understand the prorating in that instance with the Dominion and the New Haven concerns was an old rail shipping arrangement or was it—

Mr. BULL (interposing). It is a rail and water shipping arrangement. Practically all the potatoes that move from Maine into the Southeast, many of them go through Boston and then by the Merchants & Miners, or the Savannah Line, or the Clyde Line into the southeastern territory—that is, right down to Georgia, North Carolina, and South Carolina, through that district.

Mr. WILSON of Pennsylvania. They are carried by water to those ports, to the southeastern ports?

Mr. BULL. Yes; to Savannah, Jacksonville, Charleston, and different places. We want to bring them into New York and then ship them by the same lines on down on account of the haul from the Bangor and Aroostook points into Cape Jellison or into Stockton Harbor, being shorter they can get their cars back quicker and avoid the shortage of cars that almost invariably takes place in wintertime up there; they can turn their cars around just that much faster. The Clyde Line refused absolutely at first to take any part of it. They have two associations in New York, one of which I do not know the name of, it is an association composed of the regular lines in which they discuss freight matters.

I know that in this case when we made applications for through rates it had to be presented to this meeting three times; after that

any line that insisted on making through rates with us had the privilege of doing so. The Old Dominion Line made the through rate. They forced a pretty good bargain, as far as the division of rate was concerned, because they were the only ones who would make it with us; so we had to allow them 12 cents, and I did on the understanding that I did not have to do the same thing with the other roads or the other steamship companies. Well, that went along all right for a year; then when we got through rates with the Old Dominion Line, the Clyde Line, and the Savannah Line, seeing there was some movements coming that way, they agreed to let us in by way of their lines, and I made an arrangement with them at 14 cents—a little better division than I had by the Old Dominion Line, because I was in the territory then and 12 cents was pretty close. Well, evidently they compared notes at the end of the first year, and the Clyde Line and the Savannah Line found I was only paying the Old Dominion Line 12 cents, so they hauled off and would not pay me any more than 12 cents. Then, through a mix-up, the way the tariff was formed—through a concurrence the Bangor & Aroostook Road had given to the Old Dominion Line, which had been withdrawn—the rates by the Old Dominion Line at present are withdrawn, and it is a question if the Bangor & Aroostook does not give that concurrence back, whether we will have any rates into the Southeast; but I hope that matter will be straightened out.

The CHAIRMAN. Have any other roads discriminated against you in the matter of terminals or rates?

Mr. BULL. No; because we have not put ourselves in a position that they could. It is pretty expensive, you know, to get a boat into a port with general freight on and find out you can not do business, and you had better not try it.

The CHAIRMAN. Explain to the committee why that is true. You say it is expensive; they can not afford to make the experiment?

Mr. BULL. Why, take Jacksonville, for example. Jacksonville takes a lot of freight, and there is a lot of freight passes in both directions through Jacksonville. There is a certain amount of freight that goes locally to that port. There is a lot of it that passes through there that never stops at all. If we should start a line to Jacksonville without a prorating arrangement with the railroads the Clyde Line could cut the local rate all to pieces.

Mr. HUMPHREY. What do you mean by "cut the local rates all to pieces"?

Mr. BULL. Business going to Atlanta would move on a through rate. Fruit from southern Florida would move on a through rate, and on account of the prorating arrangement the existing steamship line has through Jacksonville we could not secure any part of this business, as the sum of any rate we could make to or from Jacksonville, plus the inland local rate, would be higher than the through rate. Therefore, the existing line could make a profit on the through business and cut the port-to-port business so as to make it unprofitable.

Mr. HUMPHREY. But would you have to pay that prorating?

Mr. BULL. We would have to pay the local rates in order to get that business, and they could go on with the cut in the port-to-port business indefinitely until they would kill any new line.

Mr. HARDY. In other words, your through rate being \$100 on a certain commodity—a certain quantity of it—if you had to pay \$75 of that to the local roads to carry it to the ultimate destination it would leave you only \$25, while they might be getting \$50?

Mr. BULL. Yes, sir.

Mr. HARDY. And at the same time reducing the through rate below what you could give?

Mr. BULL. Yes, sir; that is just exactly the point, and they get \$50 and better, too.

Mr. HARDY. They would give a through rate on that piece of freight for \$100?

Mr. BULL. Yes, sir.

Mr. HARDY. And they would get \$50 out of it?

Mr. BULL. Yes, sir.

Mr. HARDY. You might have to charge \$125 in order to get anything out of it?

Mr. BULL. Yes, sir.

The CHAIRMAN. And from Jacksonville to New York, from the local freight, they could cut that until you could not live?

Mr. BULL. Yes, sir; that is exactly it.

The CHAIRMAN. Because they have the benefit of the through rate?

Mr. BULL. Yes, sir. You see, they would be making money on their through business right straight along, and on their local business they would simply meet competition.

The CHAIRMAN. The railroads at these several points where these lines are running in affiliation with railroads will not let you in so that you can compete with them on other business?

Mr. BULL. They will not let anybody in except their regular connections.

The CHAIRMAN. In this instance from Jacksonville, it is the Clyde Line?

Mr. BULL. Yes, sir.

The CHAIRMAN. And that is a railroad-owned line?

Mr. BULL. The Clyde Line—I do not know who owns it. It is in the combination of the Atlantic, Gulf & West Indies Steamship Co. It is hard to tell who it belongs to.

The CHAIRMAN. You have stated that they reduced the rate to let you in on the same basis. You are testifying now from your experience in the business?

Mr. BULL. Yes, sir. Of course, I have never made the direct application to the roads running into Jacksonville, but where I have not made it I have seen it, and everybody else knows it is true; there is no question about it.

Mr. HARDY. You have run up against it in one place, and that deters you from running up against it in others?

Mr. BULL. Yes, sir.

Mr. HARDY. You said that the Texas situation was different. Have you ever tried to go into Galveston?

Mr. BULL. No, sir; we never have.

Mr. HARDY. I think you will find that the Texas laws contemplate a different situation, but they probably find that as to these through rates they are bound by the interstate legislation and can not effect the result that you think of.

Mr. BULL. I do not know. I had an idea—I am not familiar with that situation—that the rates out of Galveston to Texas common points were the same as based on through rates, but whether based on the local rate I do not know.

Mr. HARDY. I think you are mistaken about that.

Mr. BULL. I may be; I never studied the tariffs particularly.

Mr. HARDY. For the reason that the State commission has no control over the through rate from New York via Galveston into interior points. They can not control it. My understanding is they have the same wall that run against there.

Mr. BULL. Of course, there have been lines—you see, the Texas City Steamship Co. went into Texas City——

Mr. HARDY. What is that?

Mr. BULL. The Texas City Co.; the Mallory Line bought them out—that is, part of the Atlantic, Gulf & West Indies Steamship Co.

Mr. HARDY. They bought them out?

Mr. BULL. Yes; the Southern Steamship Co. run a line to Key West, Tampa, and New Orleans, and Clyde Line bought them out. They are under Clyde Line domain now—that is, all part of the Atlantic, Gulf & West Indies Steamship Co. Most of the lines have gotten in. I think the Texas City got in by making a contract with the Steel Corporation, just like we made a contract with the paper company to take so much freight at the certain rate, irrespective of the competition, and if you can get anybody to make a contract you can give the regular lines a “pretty good run for their money” before they cut you out.

Mr. HARDY. While the contract lasts?

Mr. BULL. Yes, sir.

Mr. AYRES. These points, Jacksonville, Savannah, and so on—did you ever have any difficulty getting terminal facilities or dockage facilities there?

Mr. BULL. We do not go into very many Atlantic ports. When I said Mayport, that is coal. We carry coal into Mayport for some of the railroads or for local consumption, and the coal men usually have their own terminal facilities; and at Florida points, Boca Grand and Port Tampa, we carry phosphate rock from there and coal down. The coal goes to the railroad largely, and the facilities for handling phosphate rock are excellent, and that has not been brought under any prorating arrangement, so you take your turn as you arrive.

Mr. HARDY. I am just a little puzzled to know why they do not adopt the same methods with regard to cargo freight as they have with reference to package freight, and drive you out completely.

Mr. BULL. I believe when the other is sewed up tight enough that that will be the next step. I think I am right. It is already so as far as Philadelphia in hard coal is concerned into Boston.

Mr. HARDY. The only amazement you have is at their moderation?

Mr. BULL. Sir?

Mr. HARDY. You are only astonished at their moderation? [No response.]

Mr. AYRES. Mr. Bull, the other day we had some testimony from your father which led us to believe that as to the package freight it would be impossible, perhaps, not only to get prorating arrangement as you suggest, but to get opportunity to handle it at all.

Mr. BULL. My personal belief is that there is more ways of "killing a cat than drowning it," and if anybody tried to force an issue that you would have a good deal of difficulty in finding the cars when your steamer got there which belonged to you, and there are lots of things that can happen, you know. Suppose a car out in the freight yard, or four or five cars, were lost and were mixed up. I believe that would be so if you forced the issue.

Mr. AYRES. But you have never had any practical experience?

Mr. BULL. No; we have never tried that.

The CHAIRMAN. Is there anything else?

Mr. HARDY. It would be very easy for them to lose the cars and not have cars to take your cargo, and everything of that sort, would it not?

Mr. BULL. Yes, sir.

The CHAIRMAN. And you could easily tell where the fault was?

Mr. BULL. I would not want to try it on a forced issue.

The CHAIRMAN. Have you any other correspondence you care to submit?

Mr. BULL. No; I do not know whether you care for this [indicating certain documents]. It is in 1907 and simply is correspondence with the Interstate Commerce Commission at that time. I do not know if it is of any value to you or not.

The CHAIRMAN. I hardly think so. Is there anything else?

Mr. HARDY. You were giving us the classification awhile ago, but did not carry out that. Right on that point, I would like to have you complete the comparison for all the rates of freight.

Mr. BULL. I have just taken the six classes.

Mr. HARDY. Six classes. I would like to have them all in. You have first 33, or a difference of 6 cents.

Mr. BULL. You have third class from Portland, which is 23 cents.

Stockton Harbor, 26; fourth class from Portland to Lincoln, 18; Stockton Harbor, 21; fifth class from Portland to Lincoln, 14 cents; from Stockton to Lincoln 17; sixth class from Portland to Lincoln, 11 cents; from Stockton Harbor, 13 cents.

I should say that in addition to these rates the northern part of the State has a great many commodity rates which are very much lower than any of these rates, and we would have to apply the class rates according to this, as there are now no commodity rates from Stockton at all to any of the Maine Central points, except on cement to some points and to a few others on fertilizer. Some fertilizer factories are at Stockton Harbor and in order to get the haul of these factories they put them in.

Would you care for another comparison, Eastport, for example?

Mr. HARDY. I would like to have two or three of those comparisons.

Mr. BULL. The rate from Portland to Eastport is 27 cents; from Stockton Harbor to Eastport is 39 cents, first class; second class from Portland to Eastport is 22 cents, from Stockton Harbor is 32 cents; third class from Portland to Eastport is 18 cents; from Stockton Harbor it is 26 cents; fourth class is 14 cents from Portland to Eastport and 21 cents from Stockton Harbor; fifth class from Portland to Eastport is 11 cents; Stockton Harbor to Eastport is 6 cents; sixth class, Portland to Eastport is 9 cents and from Stockton Harbor to Eastport is 13 cents.

Mr. STEVENS. What are the restrictive differences?

Mr. BULL. In all these distances there is 106 miles difference in each one of these places, because all this freight passes through Northern Maine Junction, which is 28 miles from Stockton Harbor, and from Portland to Northern Maine Junction is 134 miles; so that makes 106 miles from any of the places north of Bangor in favor of Stockton Harbor—106 miles shorter haul.

Mr. HUMPHREY. Do you know of any reason other than their desire to arbitrarily discriminate, why the rate is less for the shorter haul—are there any physical reasons?

Mr. BULL. No, sir.

Mr. HUMPHREY. Any business reasons?

Mr. BULL. No, sir; I can not see any good reasons. I have not been able from the letters that we put in here to ascertain, as they do not offer any reason. I tried to find a reason.

Mr. HUMPHREY. There are no heavy grades or anything of that character that would make them desire to take the longer haul?

Mr. BULL. You see, if you will look at that map [referring to map], with the exception of 28 miles, the haul is practically the same; all this business comes through. There [indicating] is Northern Maine Junction; all this business passes through Northern Maine Junction, and from there up it passes over exactly the same route, whether it originates at Portland or Stockton Harbor.

Mr. WILSON of Pennsylvania. Between Portland and this junction point are there greater or less grades than the grades between the junction points and Stockton?

Mr. BULL. I think Stockton is an easier haul by a great deal; hardly any grades at all.

Mr. WILSON of Pennsylvania. Does it follow the river?

Mr. BULL. It is just in sight of the river; just a little back from the river.

Mr. WILSON of Pennsylvania. Does it follow the valley down?

Mr. BULL. Yes; they go around a high hill here [indicating], but it is practically level. They carry, I think, 35 or 40 loads of coal cars going up there in a train. I do not know exactly what it is, but it is a good road and a good, easy haul.

Mr. HUMPHREY. I want to make it clear and get it in the record. Which distance is the more economical, the longer or the shorter route?

Mr. BULL. You see, this road has only been built six years from Northern Maine Junction to Stockton Harbor, and I think you have a very much heavier grade on the old roads up to Northern Maine Junction than you have on the other. The new road is a good, modern road.

Mr. HARDY. In other words, the physical advantages are in favor of Stockton?

Mr. BULL. I should say so, decidedly.

The CHAIRMAN. If they were to give Stockton the same proportion of rates the chances are it would build up quite a town and port there, would it not?

Mr. BULL. Yes, sir.

The CHAIRMAN. So that, perhaps, Portland has something to do with it?

Mr. BULL. I want to say, as far as the Bangor & Aroostook road is concerned, they do not give anybody any preference. Anybody else can come in and get the same rates we are getting. We have no cinch at all. So that if it should happen that they would give these rates, anybody else would be free to get them just as much as we are.

Mr. HARDY. If that were so all along the coast, then commerce would seek the lines of least resistance?

Mr. BULL. Yes, sir; and the natural way, where it could be most economically handled.

Mr. HARDY. And the result would be the people would get their commodities at a less rate?

Mr. BULL. Undoubtedly.

Mr. HARDY. There would be much less waste and no unnecessary transportation?

Mr. BULL. The supply and demand would regulate that; I think you would then get real regulation by supply and demand; at the present time you do not.

Mr. HARDY. It would not be carried a hundred miles out of the way where there was no inducement to carry it that way?

Mr. BULL. No, sir. Not only that, but if a man has a through rate on lumber, or some commodity, or naval stores, for example, say into Jacksonville, and moving on a through rate, and the Clyde Line is congested, they can not carry all their freight; they can hold that freight right there. The man may want it, but he can not put it in in another boat and take it, even if it is his freight, because he would have to pay the local rate into Jacksonville. So they can hold that and load this boat and hold that until the next boat comes along. I think that transportation would be improved.

They would have to, because they would be up against it, and competition and the best service would win out.

Mr. HARDY. Naturally, it would be an improvement of the transportation of freight if the freight moves over a comparatively shorter line?

Mr. BULL. Yes, sir.

Mr. HARDY. There would be that possibility of congestion?

Mr. BULL. Yes, sir.

The CHAIRMAN. If there is nothing further, we will now take a recess until 2 o'clock. Mr. Bull may be excused.

Thereupon, at 12.11 o'clock p. m., the committee stood adjourned until 10 o'clock to-morrow, January 22, 1913.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 22, 1913

No. 9



WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

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WILLIAM S. GREENE, Massachusetts.

WILLIAM E. HUMPHREY, Washington.

E. STEVENS HENRY, Connecticut.

ASHER C. HINDS, Maine.

STEPHEN G. PORTER, Pennsylvania.

WILLIAM D. STEPHENS, California.

THOMAS PARRAN, Maryland.

H. H. GARVER, *Clerk.*

Dr. S. S. HUEBNER, *Expert to Committee.*

T. N. LAVEROCK, *Counsel.*

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Wednesday, January 22, 1913.

The committee met at 10.40 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Ayres, Post, Stone, Thayer, Hardy, Barnhart, and Faison.

TESTIMONY OF MR. CHRISTIAN J. BECK, FREIGHT TRAFFIC MANAGER OF THE HAMBURG-AMERICAN LINE, NEW YORK CITY.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give your name, address, and business connections to the committee, please.

Mr. BECK. Christian J. Beck, New York, freight traffic manager of the Hamburg-American Line.

The CHAIRMAN. State whether or not you were recently in charge of the Atlas service of the Hamburg-American Line.

Mr. BECK. I am at present in charge of all the freight service of the Hamburg-American Line operating to and from the United States, but have been in that capacity only for the last two months, prior to which time I was in charge of what is known as our Atlas service, which conducts various lines between New York, the West Indies, Caribbean ports, and Central America, including the west coast of Mexico, South and Central America.

The CHAIRMAN. We wish to take up the services of the Atlas Line one by one; first, the service to Cuba. You have a service to Cuba?

Mr. BECK. We have a service to and from Santiago, Cuba. That is the only Cuban port we serve.

The CHAIRMAN. Did you have other services there recently—that is, to Cuba?

Mr. BECK. We had for about one year to other Cuban ports—namely, Havana, Cienfuegos, and Manzanillo. The service was discontinued in September, 1911.

The CHAIRMAN. Is there any other line operating to Santiago?

Mr. BECK. Yes. The New York & Cuba Mail Steamship Co., known as the Ward Line, operates there.

The CHAIRMAN. Is that a regular service of the Ward Line?

Mr. BECK. Yes; they have a regular service.

The CHAIRMAN. And yours is——

Mr. BECK. Ours is a regular weekly service.

The CHAIRMAN. And your line and the Ward Line are the only lines that operate from New York to Santiago?

Mr. BECK. To my knowledge we are the only lines.

The CHAIRMAN. What line or lines operate to these other points in Cuba?

Mr. BECK. From New York the Ward Line operates to Habana, Cienfuegos, and Manzanillo.

The CHAIRMAN. What other lines?

Mr. BECK. No other lines from New York. There are lines from the Gulf, from New Orleans and Mobile; with which, however, I am not very familiar.

The CHAIRMAN. Does the Royal Mail Steam Packet Co. operate a line or lines from New York to points in Cuba?

Mr. BECK. They operate only to one port—Antilla, on the north side.

The CHAIRMAN. Now tell the committee, please, if your company has within, say, the last three or four years been a party to any agreement or agreements or any understandings with any of these steamship lines mentioned as regards either the freight or passenger traffic to or from the United States to the points mentioned in Cuba.

Mr. BECK. At the time we were operating to Habana, Cienfuegos, and Manzanillo we had a tacit but unwritten understanding with the Ward Line on freight rates. At the present time we operate independently. We do not consult each other in regard to rates; we fix the rates according to our own judgment as to what they should be, but we aim not to underquote one another.

The CHAIRMAN. The rates are the same, are they not, to Santiago by your line and the Ward Line?

Mr. BECK. Well, it would operate in this way: If the Ward Line fixes a rate on a certain commodity they will probably tell us of it, or we would learn of it in the market, and we would adjust our rates accordingly.

The CHAIRMAN. The upshot of it is that you have the same rate on commodities from New York to Santiago and from Santiago to New York?

Mr. BECK. That would be the eventual result, although at times one or the other might be underquoting the other, not having full knowledge of what the other was doing.

The CHAIRMAN. That is, if there was a lack of frankness on the part of one toward the other, that might occur?

Mr. BECK. That lack of frankness exists. We do not work in the harmony with the Ward Line that we do with some of the other lines.

The CHAIRMAN. What service does the Ward Line give between New York and Santiago?

Mr. BECK. Their service is not as regular as ours. I believe they average about one steamer in 10 days.

The CHAIRMAN. Yours, I believe you said, was once a week?

Mr. BECK. Our service is once a week?

The CHAIRMAN. Now, is there any understanding or agreement between your line and the Ward Line with reference to the service; that is, that you shall give a weekly service and that theirs shall come in at other intervals?

Mr. BECK. No, sir; there is no such understanding.

The CHAIRMAN. When you withdrew from the service to Habana and the other points you have mentioned, was that by agreement be-

tween your line and the Cuban Mail or any other line that is in that service now?

Mr. BECK. No; it was not. We withdrew because we found the trade did not pay. We did not have the right steamers at the time to conduct that trade profitably, and after experiment we found we could not live in it with the steamers we had, and could not conveniently obtain such steamers as would suit the trade, and therefore concluded to withdraw.

The CHAIRMAN. There was no consideration for your withdrawing at the time?

Mr. BECK. None whatever.

The CHAIRMAN. Pecuniary or otherwise?

Mr. BECK. Absolutely none.

The CHAIRMAN. Simply as a business proposition, it did not pay?

Mr. BECK. Exactly.

The CHAIRMAN. And you are operating with the same steamers now, are you, to Santiago?

Mr. BECK. No; we are not. Our Santiago service is in connection with our Jamaica, Colon, and Port Limon service. We make Santiago a port of call on what we call our lines A and B. In other words, we combine Santiago with our other business, whereas the service that we have previously been discussing was purely a Cuba service.

The CHAIRMAN. The service you abandoned?

Mr. BECK. Yes.

The CHAIRMAN. But you call at Santiago weekly?

Mr. BECK. Yes, sir.

The CHAIRMAN. And what proportion of the service or traffic to Santiago do you control?

Mr. BECK. I have no figures at my command, but I believe at present, owing to our regular service, we get, I should say, approximately, 60 per cent of the business.

The CHAIRMAN. And the Ward Line the balance?

Mr. BECK. Yes, sir.

The CHAIRMAN. What line did you say runs to the north coast of Cuba?

Mr. BECK. The Royal Mail Steam Packet Co. and the Munson Line serve the north coast. The Royal Mail serves only one port, Antilla. They combine Antilla with their other itinerary in the same way we combine Santiago with ours.

The CHAIRMAN. The ports at which they call are connected with Habana by rail, are they not?

Mr. BECK. Yes, sir.

The CHAIRMAN. Is there any understanding or agreement between your company and the Royal Mail or the Munson Line that if they will keep out of Santiago you will keep out of these other ports?

Mr. BECK. No; there is no understanding existing between any of the companies you name and ourselves.

The CHAIRMAN. That division of the territory is purely a matter of selection by the companies, uninfluenced by any agreement between themselves?

Mr. BECK. That is right.

The CHAIRMAN. Or understanding?

Mr. BECK. That is correct.

The CHAIRMAN. Now, when was that tacit understanding or agreement between your line and the other lines operating to Habana from New York discontinued?

Mr. BECK. At the time of the discontinuance of our service.

The CHAIRMAN. And when was that?

Mr. BECK. As nearly as I can remember it, in September, 1911.

The CHAIRMAN. What were the terms of that agreement, the understanding under which you operated at that time?

Mr. BECK. We had no hard-and-fast agreement, but it was tacitly understood between us that we would not cut each other's rates. At that time another service was in the field, the American and Cuba Line, and they were cutting rates very severely to obtain business, and the Ward Line and ourselves were following them, but were supposed to consult with each other on rates before making any changes. The agreement did not work out very well at all, because all three lines were fighting for business. There was not enough business to go around, and good faith was not kept on the part of any of the lines.

The CHAIRMAN. At that time the American was operating from New York?

Mr. BECK. From New York, and still is. May I be allowed to correct my testimony, as I had forgotten the American & Cuban Line, which operates to all Cuban ports from New York as business offers.

The CHAIRMAN. You say it does operate from New York to all Cuban ports?

Mr. BECK. Yes; to all Cuban ports as business offers.

The CHAIRMAN. Does it operate from Boston also?

Mr. BECK. Not to my knowledge.

The CHAIRMAN. You have no service from Boston to Cuba?

Mr. BECK. No, sir.

The CHAIRMAN. As I understand from your statement, you have no understanding or agreement of any nature whatever with any of these lines mentioned, or any other line with reference to the trade with Cuba, either passenger or freight.

Mr. BECK. I can not speak for the passenger end, because that is not within my jurisdiction; but as far as freight is concerned we have no agreements on Cuba business.

The CHAIRMAN. I understand you operate to the ports of Haiti.

Mr. BECK. We do.

The CHAIRMAN. Is it the same line that continues the service to Haiti, calling at Santiago, or is that an independent line?

Mr. BECK. No; the Santiago lines are what we call our lines A and B, which operate to Santiago; Kingston, Jamaica; Colon, and Port Limon, Costa Rica. Our Haiti line or lines operate to Haiti and Colombia.

The CHAIRMAN. Repeat that, please; I did not catch that.

Mr. BECK. Our Haiti lines operate to Haiti and Colombia, sometimes calling at Jamaica on the homeward voyage for bananas.

The CHAIRMAN. What other lines operate to Haiti and Colombia?

Mr. BECK. The Royal Dutch West India Mail operates to Haiti.

The CHAIRMAN. Any other line?

Mr. BECK. The Seeborg Line from Mobile.

The CHAIRMAN. From New York?

Mr. BECK. From New York only the Royal Dutch West India Mail, and ourselves.

The CHAIRMAN. You may state whether your company, within three years past, say, has been a party to any agreement or agreements or any understandings with any other steamship line or lines as regards either freight or passenger traffic to or from the United States to Haiti.

Mr. BECK. We have an agreement with the Royal Dutch West India Mail, and I have brought a copy of that agreement with me.

The CHAIRMAN. Is it still in force?

Mr. BECK. No; it expired on December 31, 1912, notice of cancellation having been given in June of that year.

The CHAIRMAN. Please hand it to the stenographer to be identified.

The paper so produced was marked Exhibit No. 57, and is as follows:

EXHIBIT No. 57.

Agreement made in Europe between Hamburg-American Line (Atlas Service) and Koninklijke West-Indische Maatschappij.

1. *The trade from New York to Haiti.*—The ports of Gonaïves, Miragoane, Port de Paix, and Haiti are reserved for the Hamburg-American Line (Atlas Service). The ports of St. Marc, Aux Cayes, Aquin, and Jacmel are reserved for the Koninklijke West-Indische Maatschappij.

The ports of Port au Prince, Petit Goave, and Jeremie may be served jointly by the Hamburg-American Line (Atlas Service) and Koninklijke West-Indische Maatschappij.

2. *The trade from Haiti to New York.*—The ports of Cape Haiti and Port de Paix are reserved for the Hamburg-American Line (Atlas Service). The ports of Jacmel, Aux Cayes, Aquin, and St. Marc are reserved for the Koninklijke West-Indische Maatschappij. The ports of Port au Prince, Petit Goave, Miragoane, Gonaïves, and Jeremie may be served by both the Hamburg-American Line (Atlas Service) and the Koninklijke West-Indische Maatschappij.

3. On cargo from or to Europe, either direct or via New York, each line retains the entire through freight. On cargo to New York from Port au Prince and Petit Goave and on cargo to and from all other Haitian ports each line retains the entire freight.

4. Each line reserves for itself 40 per cent of its net freight, including primage, but excluding tonnage and lighterage dues from New York to Port au Prince and Petit Goave, whilst the remaining 60 per cent are to be placed into a pool and divided in the proportion of 76.75 per cent to the Hamburg-American Line (Atlas Service) and 23.25 per cent to the Koninklijke West-Indische Maatschappij.

Should either of the parties fail to supply their minimum number of sailings in any year, as hereinafter mentioned, to the pooled ports, then such party's share in the pool earnings shall be proportionately reduced for the benefit of the other party.

A settlement of the pool freight shall be made half yearly.

The above proportions of the pool are based upon:

(a) A minimum of 26 sailings each year for the Hamburg-American Line (Atlas Service) and 26 sailings each year for the Koninklijke West-Indische Maatschappij.

(b) The actual earnings of the two lines from New York to Port au Prince and Petit Goave during the years 1907, 1908, and 1909.

They remain in force for the settlement of all sailings up to December 31, 1910, after which date a new division of the pool will be fixed for the year 1911, based upon the actual earnings of the years 1908, 1909, and 1910. Each following year the proportions of the pool will be revised in the same way—based upon the earnings of the last preceding three years from New York to Port au Prince and Petit Goave.

5. It is understood that the same rates of freight shall be maintained between Haiti and New York by both lines to all ports; both lines to maintain the same through rates between Haiti and Europe, either for shipments via New York or for direct shipments from Haiti.

6. The parties bind themselves and their agents to maintain the tariffs as may be agreed upon from time to time, and not to make any reduction in these rates, either directly or indirectly, by giving commission or reduction in the lighterage and [or] port dues or any form of return or any advantage to the shippers and [or] consignees with a view of influencing freight toward their line.

The commission to be paid their agents to be uniform.

7. No reduction will be granted from regular passage rates excepting to consuls or other officials connected with the American or foreign diplomatic service, for whom an optional 25 per cent discount may be granted; and to diplomatic ministers or other high Government officials, for whom a rate may be arranged at the discretion of the respective lines.

8. No concessions are to be granted to shippers; but each line is free to make special rates for passage to its own agents and to the chief officials of connecting transportation lines.

9. All disputes or differences arising between the parties as to any matter under this agreement shall be referred to three persons residing in the city of New York, not being lawyers, one of whom shall be chosen by each of the parties hereto, and the third, who shall in all respects be entirely disinterested as between the parties and their said appointees, by the two thus chosen. The decision of such arbitrators to be binding upon the parties, provided that the same be rendered in writing under their hands and seals within 10 days after final submission to them of the matters in controversy. All matters in controversy pending at any one time shall be submitted to such arbitration together.

10. This agreement shall date from January 1, 1910, and is to remain in effect until December 31, 1910. This agreement, with corrections in pool percentages as provided by clause 4, renews itself automatically and indefinitely for one-year periods, unless notice to terminate it is given by either party on or before July 1 of the then existing pool year. Should, however, the Hamburg-American Line (Atlas Service) at any time withdraw from the Santa Marta-New York fruit trade they reserve the right, in respect to the trade from New York to Haiti, to call at St. Marc, Aux Cayes, Aquin, and Jacmel; and in respect to the trade from Haiti to New York to call at any or all ports south of Gonaives.

Agreement signed in Europe November 11, 1909.

Mr. BECK. At the present time we have no agreement with the Royal Dutch West India Mail, or, in fact, with anyone, in the Haiti trade; but we are both observing the same rates and conditions.

The CHAIRMAN. And according to the terms of the agreement, as far as that is concerned?

Mr. BECK. As far as freight rates and conditions in the freight traffic are concerned, the same rates and conditions govern both lines.

The CHAIRMAN. Do you meet in conference?

Mr. BECK. No; we have no regular conference, except if a matter came up we would telephone one another and consult with one another.

The CHAIRMAN. As occasion requires, you would meet and arrange any matter between you?

Mr. BECK. Yes, sir.

The CHAIRMAN. As to the traffic or any other matter connected with your business?

Mr. BECK. Yes, sir.

The CHAIRMAN. I neglected to ask you if you have any conference with reference to the Cuban trade—the representatives of the Ward Line?

Mr. BECK. No; we have not.

The CHAIRMAN. What service do you give from New York to Haiti?

Mr. BECK. We have a weekly service to Haiti.

The CHAIRMAN. And what service does the Royal Dutch Mail give?

Mr. BECK. A fortnightly service.

The CHAIRMAN. Do you operate to Santo Domingan ports?

Mr. BECK. We do not.

The CHAIRMAN. Have you any understanding or agreement, whether in writing or otherwise, with the Clyde Steamship Line by the terms of which your steamers are not to call at Santo Domingan ports?

Mr. BECK. No, sir.

The CHAIRMAN. Has there been any, say, within the last five years?

Mr. BECK. Not to my knowledge. My connection with the Atlas service dates back about three and one-half years, and during that time I know positively there has been no understanding of any kind with the Santo Domingan lines.

Mr. HARDY. You have never gone into that business during that time?

Mr. BECK. No, sir.

Mr. HARDY. There has been no occasion, then, for an understanding?

Mr. BECK. That is the situation.

The CHAIRMAN. Do you say no such agreement exists, or that you simply have no knowledge of it?

Mr. BECK. I say that during the time I have been connected with the Atlas service, which is three and a half years, no such understanding has existed; and, to the best of my knowledge, no understanding has ever existed.

The CHAIRMAN. You also have a line to Jamaica?

Mr. BECK. Yes; we have a weekly service to Jamaica.

The CHAIRMAN. What other lines operate to Jamaican ports?

Mr. BECK. From New York, the Royal Mail Steam Packet Co. and the United Fruit Co.

The CHAIRMAN. How often do you enter ports of Jamaica? How many ports are there?

Mr. BECK. Well, we make now only one port of call—Kingston. Until recently we also called at Montego Bay, from which port we distributed our cargo to what is known as the out-ports of Jamaica, small unimportant ports which do not justify a direct service. But in the hurricane of November last year the facilities for distributing the cargo from Montego Bay were destroyed, and we are now serving the Jamaica out-ports with a direct steamer, sailing fortnightly, and delivering its cargo at each port.

The CHAIRMAN. That is from New York?

Mr. BECK. From New York.

The CHAIRMAN. I believe you say the United Fruit Co. also has a line to Jamaica. Do their steamers go direct to Kingston?

Mr. BECK. The United Fruit Co. has two steamers per week direct to Kingston, and they also have an irregular service to Jamaica out ports.

The CHAIRMAN. What other company did you mention?

Mr. BECK. The Royal Mail Steam Packet Co.

The CHAIRMAN. Yes. Do they have a regular service from New York to Kingston?

Mr. BECK. They have a fortnightly service from New York to Kingston.

The CHAIRMAN. You may state whether or not your company is a party to any agreement or agreements or understandings with either one of these steamship lines as regards the freight or passenger traffic to or from the United States to any of the ports in Jamaica.

Mr. BECK. We have an agreement with the Royal Mail Steam Packet Co., a copy of which I have brought with me. These documents comprise the original agreement, which I understand was made in Europe, and amplifications of that agreement arranged in New York, to govern the freight and passenger departments, respectively.

The CHAIRMAN. Let the stenographer identify it.

The papers so produced by the witness were marked Exhibits Nos. 58, 59, and 60, and are as follows:

EXHIBIT No. 58.

THE ROYAL MAIL STEAM PACKET CO.,
No. 18 MOORGATE STREET,
London, August 29, 1910.

EMIL L. BOAS, Esq.,
Director Hamburg-Amerika Linie,
The Carlton Hotel, Pall Mall SW.

DEAR SIR: We beg to confirm the arrangement arrived at with your good self to-day that the freight agreement for working the States/West Indies sphere, mutually operated by our respective companies, is to be continued for another year definitely from the date of its expiry on 31st instant, on the understanding that our share shall be 25 per cent in place of 22½ per cent as at present.

It is understood that you will have power to take passengers between New York and Colon by each of your weekly departures.

The existing passenger agreement which is to run concurrently with the agreement is to be modified by mutual arrangement to meet existing competition, failing which, the agreement as regards freight shall terminate at the end of six months.

Unless notice be given by either party six months before the expiry of the year for which this arrangement is made it shall continue for a further six months, and shall thereafter be subject to six months' notice from either side.

We shall be happy to have your esteemed confirmation.

We are, dear, sir,

Yours, faithfully,

ALFRED S. WILLIAMS, *Manager.*

Agreed to for the Hamburg-Amerika Linie.

E. L. BOAS.

THE ROYAL MAIL STEAM PACKET CO.,
18 MOORGATE STREET,
London EC., August 29, 1910.

EMIL BOAS, Esq.,
Director Hamburg-American Line,
Carlton Hotel, Pall Mall SW.

DEAR SIR: Supplementary to our letter of this date, we are quite in agreement with you that the exchange of voluminous manifests now carried on might be dispensed with, summaries being substituted in a form to be mutually agreed between our respective representatives in New York; it being, of course, understood that each party shall have full right of access to the other's manifests for inspection, if desired.

Yours, faithfully,

Head of Traffic Department.

P. S.—We advise our New York agents accordingly.

MEMORANDUM OF HEADS OF AGREEMENT ENTERED INTO THIS 21ST DAY OF FEBRUARY, 1908, BETWEEN THE HAMBURG AMERICAN LINE OF HAMBURG AND THE ROYAL MAIL STEAM PACKET CO., OF LONDON.

1. It is agreed that commencing from 1st March, 1908, 50 per cent of the freight earned (excluding earnings on refrigerated cargo, bananas, and large contract shipments of cement or clinkers for the Isthmian Canal Commission)

in their respective services between New York, Jamaica, Colombian ports, Colon, and vice versa, are to be pooled on the basis of 77½ per cent to the Hamburg-American Line and 22½ per cent to the Royal Mail Steam Packet Co.

2. A margin of 5 per cent on the above proportions to be allowed each company, and if, at the end of the year, it should be found that the actual total earnings of each company have amounted to less than the respective proportions of 72½ per cent by Hamburg-American Line and 17½ per cent by Royal Mail Steam Packet Co.; then the difference between these minimum proportions and the proportions actually earned shall be adjusted in accordance with the following example:

If Hamburg-American Line shall only have earned say 70 per cent of the total earnings of both companies, they shall pay to the Royal Mail Steam Packet Co. one-half of 2½ per cent of the pooled freight.

On the other hand, if the Royal Mail Steam Packet Co. shall only have earned say 15 per cent of the total earnings of both companies, they shall pay to the Hamburg-American Line one-half of 2½ per cent of the pooled freight.

It is also agreed to ascertain, month by month, the quantity of cargo carried by the respective lines with a view to arrange carriage in the agreed proportions, as far as possible.

3. A joint freight tariff to be agreed between the agencies of the companies in New York.

4. The parties further agree to run their passenger steamers between New York and Colon alternately, as far as possible.

5. The Royal Mail Steam Packet Co. bind themselves not to extend their services to Haitian ports and Santa Martha, as far as sailings to and from New York are concerned, except that in case of war with the Koninklijke West-Indische Maatschappij (Dutch Line) the Royal Mail Steam Packet Co. shall have the privilege of calling at Haitian ports served by the Dutch line.

As regards Port Limon it is not the intention of the Royal Mail Steam Packet Co. to extend their present services to that port, but they reserve the right to call there, and in the event of any steamers of the Royal Mail Steam Packet Co. requiring to call, it is agreed that the two companies shall meet and endeavor to make such arrangements as will least interfere with the interests of each other.

6. The Hamburg-American Line bind themselves not to call at Trinidad and Grenada from and to New York, excepting with their cruising steamers.

7. The service between New York and Puerto Barrios to be reserved to the Hamburg-American Line, but if more than a four-weekly steamer should be required the Royal Mail Steam Packet Co. to have the option to divide alternate steamers for the additional sailings. The Royal Mail Steam Packet Co. are in no way to be precluded from calling at Puerto Barrios with their intercolonial steamers.

8. This agreement to be in force for one and one-half years from 1st March, 1908, and to continue thereafter until terminated by six-months' notice to be given by either party. That is to say, the agreement will be operative for a minimum period of two years.

9. The details of this provisional agreement to be arranged between the representatives of the two companies in New York, subject to the confirmation of the head offices in Hamburg and London.

10. This agreement is subject to a further agreement in regard to passage rates between New York and the West Indies being concluded between the respective companies within three months from the date of this agreement.

HAMBURG-AMERIKA LINIE,
THOMANN.

THE ROYAL MAIL STEAM PACKET CO.,
R. L. FORBES, *Secretary*.

EXHIBIT No. 59.

MEMORANDUM OF AGREEMENT AT NEW YORK OCTOBER 7, 1908, SUPPLEMENTARY TO AGREEMENT ENTERED INTO FEBRUARY 21, 1908, BETWEEN THE HAMBURG-AMERICAN LINE AND THE ROYAL MAIL STEAM PACKET CO.

1. The Atlas Line and the Royal Mail Steam Packet Co. agree that except in cases of accident the Atlas Line steamers *Prinz August Wilhelm* and *Prinz Joachim*, or substituted vessels of similar class, and the Royal Mail Steam

Packet Co. steamers shall be dispatched from New York to Colon on alternate weeks, i. e., one week one of the above-mentioned Atlas steamers and the following week a Royal Mail steamer, and vice versa from Colon to New York.

2. With reference to clause No. 4 in original agreement it is understood in the event of the Atlas Line dispatching the steamship *Prinz Eitel Friedrich* and the steamship *Prinz Sigismund* or other passenger-carrying steamers from New York to Colon, or vice versa, the same week as the Royal Mail Steam Packet Co., the Atlas Line will not book cabin passengers from New York to Colon or from Colon to New York. But should any cabin passenger obtain passage on such steamer contrary to this understanding the Atlas Line agrees to pay the Royal Mail Steam Packet Co. 50 per cent of passage money earned on such passage.

In case the steamship *Prinz Eitel Friedrich* and the steamship *Prinz Sigismund*, or substituted vessels of similar class, are dispatched the same week as the Royal Mail Steam Packet Co.'s steamers, from Jamaica to Colon and vice versa, the parties agree to divide equally the earnings of all first and second class passage and decker traffic carried by the Atlas steamers mentioned in this clause and the steamers of the Royal Mail Steam Packet Co., from Jamaica to Colon, and vice versa, less a carrying charge of \$1.50 per head per day for first-class passengers, 75 cents per head per day for second-class passengers, and 25 cent per head per day for deckers, and any commission paid agents.

3. A meeting is to be held on the 15th of each month at which cargo carryings of both lines will be ascertained and the under or over carriages of either line, in accordance with agreed upon percentage, decided upon, and arrangements made as far as possible to equalize said under or over carriages during the following month.

4. Inward and outward manifest sheets of both lines between New York and Jamaica, Isthmus of Panama, west coast of South and Central America, and Colombia, to be sent to the principals in London and Hamburg, and copies to be interchanged between the two companies at New York. These sheets to show actual rates charged shippers. At the foot of same deductions for commissions allowed shippers are to be made, also cost of all transportation beyond points of arrival or departure of Royal Mail or Atlas steamers less agreed upon cost of transshipment at New York, if incurred, 75 cents per ton weight or measurement as carried, otherwise as per scale agreed upon.

5. Present cargo tariffs to and from Jamaica, Isthmus of Panama, west coast of South and Central America, and Colombian ports to be agreed upon by both lines, subject to amendment by mutual consent, and the basis of commission to shippers to be as follows:-

	Per cent.
New York to Kingston-----	10
Kingston to New York-----	Nil.
New York to outports of Jamaica-----	Nil.
Outports of Jamaica to New York-----	Nil.
New York to Colombia-----	10
Colombia to New York-----	5
Specie to or from New York-----	Nil.
New York to Isthmus and west coast of South and Central America-----	Nil.
Isthmus and west coast of South and Central America to New York-----	Nil.

It being understood, however, that both companies are at liberty to pay commission on the following basis to their regularly appointed agents on the Isthmus of Panama and on the west coast of South and Central America, viz: Five per cent on the freight earned by the Atlas and Royal Mail steamers.

Commissions to the shippers for the first 6 months should be paid at the end of 12 months and afterwards every 6 months, so that 6 months' commission will always remain in hand, and shippers should be obligated to support the Atlas and Loyal Mail Lines only. Unless by special exemption and agreement with the Atlas and Royal Mail Steam Packet Co. claims for commissions must be filed with the respective companies not later than six months after they have been earned, otherwise they will not be paid.

Any commission or rebate agreements now in force by either line not in accordance with the new arrangement are to be disclosed, shippers to be notified that they will be operative over both lines while in force, and as they expire to be renewed only on basis of new agreement.

6. One-third of the through rate on cargo shipped to Jamaica outports from New York is to be deducted on pooling manifest as cost of transportation,

whether transshipped at Kingston or Montego Bay, but not on cargo landed at Montego Bay for delivery at Montego Bay.

7. Four shillings is to be deducted on pooling manifest as cost of transportation from the through rate on Jamaica outport cargo shipped to New York, whether via Kingston or Montego Bay, but not on Montego Bay cargo proper shipped on direct steamers from Montego Bay.

8. On all cargo shipped from Jamaica and Colombia to New York with optional ports of delivery, an additional 2s. 6d. per ton to be charged.

9. Passenger regulations, tariffs, and general terms of agreement governing passenger traffic are hereby agreed to as per subsidiary passenger memorandum of agreement, dated New York, October 7, 1908, subject to revision by mutual consent, canceling clause No. 10 in agreement entered into at London, February 21, 1908, between the Hamburg-American Line, of Hamburg, and the Royal Mail Steam Packet Co., of London.

HAMBURG-AMERICAN LINE,
E. L. BOAS,
Resident Director and General Manager.
ROYAL MAIL STEAM PACKET CO.,
SANDERSON & SON, *General Agents.*

As agreed in New York, October 7, 1908.

EXHIBIT No. 60.

MEMORANDUM COVERING AGREEMENT BETWEEN THE HAMBURG-AMERICAN LINE
(ATLAS SERVICE) AND THE ROYAL MAIL STEAM PACKET CO. COVERING PAS-
SENGER TRAFFIC.

The following terms of agreement are entered into by the Royal Mail Steam Packet Co. and the Hamburg-American Line, in pursuance of an agreement entered into at London between these lines, dated February 21, 1908, in connection with agreement made at New York on October 7, 1908, to govern the passenger traffic between New York and West Indian, South and Central American ports:

GENERAL CONDITIONS.

1. Passenger traffic between New York and Colon will be maintained by fortnightly sailings of each line, alternating every week, as far as possible.

2. Should passengers booked to Jamaica on the steamers of the Atlas service, sailing from New York the same week as Royal Mail Steam Packet steamers, subsequently rebook by some steamer from Jamaica to Colon, the Hamburg-American Line will pay the Royal Mail Steam Packet 50 per cent of the total through passage paid.

3. Minimum rates and general conditions of passenger of both lines to ports at which both lines call, to be the same according to schedule hereinafter set forth, except where a differential is made in favor of inferior steamers, or may hereafter be modified by mutual consent.

4. In other respects the services of both lines will continue as at present arranged; subsequent changes in routes, if any, subject to terms of agreement dated London, February 21, 1908.

5. Return tickets of both lines to be interchangeable at all ports and also to be interchangeable with those of the United Fruit Co., and vice versa, between New York and Jamaica, the terms of acceptance being as hereinafter stated, except in the case of Royal Mail Steam Packet through tickets between Jamaica and England, or £50, West Indies-Europe, or £100, South American circular tour tickets, circular cruise tickets at special rates of the Hamburg-American Line, Atlas service, and stop-over tickets which are not interchangeable.

6. List of agents receiving commission other than regular passenger agents to be agreed upon and not to be extended except by mutual consent.

7. No reductions will be granted from regular tariff rates excepting to consuls or other officials connected with the American or foreign diplomatic service, for whom an optional 25 per cent discount may be granted, and for ministers or other high Government officials, for whom a rate may be arranged at the discretion of the respective lines.

8. No concessions are to be granted to shippers, but each line is free to make special rates for passage to its own agents and to the chief officials of connecting transportation lines.

9. A discount of 50 per cent from the tariff rates, according to season, may be granted to the employees of the Hotel Titchfield for out-of-season sailings

between New York and Jamaica and a discount of 25 per cent to employees of the Panama Railroad Co. and the Isthmian Canal Commission over any portion of either company's service for out-of-season sailings.

10. A special out-of-season round-trip rate of \$65 for Royal Mail and Atlas *Prinz* steamers and \$60 for Atlas *Sarnia* class to be allowed to parties of 25 or more for out-of-season sailings, with optional commission of 5 per cent to organizers of such parties. No further concessions to be allowed to parties or individuals, excepting such special cases as may arise from time to time and which are to be mutually agreed upon as occasion arises.

11. For families paying four full fares or over a reduction of 10 per cent will be made. (This applies only to immediate families, consisting of husband, wife, children, and servants.)

12. The Hamburg-American Line reserves the privilege of joining the Royal Mail Steam Packet Co. in the special through rates between Europe and Jamaica, as at present in force, or may be later modified; all through rates to be based on the full local rates, excepting to ports on the Pacific coast of Central America, which rates are at present under revision—Royal Mail Steam Packet Co.'s £50 circular tours between England, New York, and West Indies, the Royal Mail Steam Packet Co.'s £100 circular tour of South America, and the through rate to or from Cuba and Jamaica in connection with the steamship *Oteri*.

13. Through tickets to New York issued by agents of either line at Pacific coast ports of South and Central America are to be indorsed: "Available by Atlas or R. M. S. P. steamers."

14. Combined tickets may be issued by either line covering through passage over portions of both companies' services; the portions of such tickets taken up either line to be billed to the issuing line at regular local tariff rates, less 10 per cent commission.

JAMAICA RATES.

An all-year minimum rate, first class, by Royal Mail Steam Packet and Atlas *Prinz* steamers, \$45 single, \$85.50 round trip; second cabin, \$30 single, \$57 round trip; *Sarnia* and *Sibiria* class, \$40 single, \$76 round trip; with the exception of a special season rate, from June 15 to September 30, for round-trip passage only, of \$65 by Royal Mail Steam Packet and Atlas *Prinz* steamers, first cabin, and \$50 second cabin; *Sarnia* and *Sibiria* class \$60.

Tickets issued at special season rates valid for return passage within 35 days only from the date of outward sailing.

RETURN TICKETS.

Interchangeable return tickets, to or from Jamaica, will be accepted as a cash voucher for their net face value, i. e., round-trip rate less full outward fare, and billed to issuing line for that amount less 10 per cent commission.

The carrying line will adjust with the passenger the difference between the net face value and 90 per cent of the single tariff rate of accommodation selected, refunding or collecting any difference less 10 per cent.

Return tickets must be indorsed over to the carrying line by the local agent of the issuing line and the net cash value noted thereon, and they can only be accepted by carrying line when so indorsed and the accommodation originally reserved, if any, has been resold.

Settlement of return tickets issued at the special summer rates will be adjusted on a basis of 50 per cent each to the issuing and return carrying lines, less 10 per cent commission to the issuing line.

COLON RATES.

(a) Minimum rates between New York and Colon: First class, \$75 single, \$142.50 round trip; second class, \$45 single, \$85.50 round trip; third class, \$30 single, \$57 round trip.

(b) A differential of \$10 single, first cabin, in favor of *Sarnia* and *Sibiria* class, if running in Colon service.

(c) Return tickets to or from Colon or Colombian ports to be interchangeable on a basis of 50 per cent, less 10 per cent commission to the initial carrier.

(d) Any difference between the value of a return ticket and the accommodations occupied to be adjusted with the passenger by additional payment or refund, as the case may be.

(e) Through tickets to or from west coast ports, if used by other than the issuing line, to be billed to issuing line, less general agent's commission.

COLOMBIA AND COSTA RICA RATES.

Royal Mail Steam Packet and Atlas *Prinz* steamers, minimum rates: First class, \$80 single, \$152 round trip; second class, \$45 single, \$85.50 round trip.

Sarnia and *Sibiria* class: \$70 single, \$133 round trip.

INTERCOLONIAL RATES.

	First class.	Second class.	Decker.
Kingston to Colon: Royal Mail Steam Packet and Atlas <i>Prinz</i> steamers..	\$30.00	\$15.00	\$6.00
Kingston to Cartagena, Savanilla, Limon, via Colon: Royal Mail Steam Packet and Atlas <i>Prinz</i> steamers.....	35.00	20.00	8.00
Kingston to Savanilla or Cartagena direct: Royal Mail Steam Packet and Atlas <i>Prinz</i> steamers.....	35.00	20.00	8.00
Savanilla to Colon direct and vice versa: Royal Mail Steam Packet and Atlas <i>Prinz</i> steamers.....	18.00	12.00	6.00
Cartagena to Colon direct and vice versa: Royal Mail Steam Packet and Atlas <i>Prinz</i> steamers.....	15.00	10.00	5.00
Savanilla or Cartagena to Colon via Limon: Atlas <i>Prinz</i> steamers.....	25.00	15.00	10.00
New York to Savanilla or Cartagena via Hayti:			
Atlas <i>Prinz</i> steamers.....	80.00	45.00	.....
Atlas <i>Altai</i> and <i>Alleghany</i>	70.00	.....	.....
Savanilla or Cartagena to New York via Santa Marta:			
Atlas <i>Prinz</i> steamers.....	80.00	45.00	.....
Atlas <i>Altai</i> and <i>Alleghany</i>	70.00	.....	.....
Savanilla or Cartagena to Kingston via Limon and Colon: Atlas <i>Prinz</i> steamers	50.00	30.00	20.00

COMMISSIONS.

A commission of 5 per cent to subagents, with the following minimums: First cabin, \$3 single, \$5 round trip; second cabin, \$2 single, \$3 round trip.

Hotel runners' list to be agreed upon, 5 per cent, with no minimum.

A general agents' commission of 50 per cent over subagents' commission to be granted to district agents at Boston, Toronto, Chicago, and other points to be mutually agreed upon.

Thomas Cook & Son, 10 per cent.

General agents' commission of 50 per cent over subagents' commission to be allowed to general agents, one each in Peru, Chile, and Ecuador.

PASSAGE REGULATIONS.

Cabin rates include one berth in a stateroom for two, with meals. In case of families, where more than two are placed in a room, the additional passengers pay the regular rate, or the minimum rate if berthed in a higher priced room.

Children between 12 and 8 years, one-half fare; between 8 and 3 years, one-fourth fare; one child under 3 years of age, free; additional children under 3 years, one-fourth fare each.

Children paying one-half fare will be entitled to a berth, but must dine at children's table.

Servants accompanying employers, two-thirds fare, irrespective of age, and will take their meals at the servants' table.

Dogs, monkeys, birds will not be allowed in staterooms or saloons. Five dollars will be charged for each dog or monkey and \$2.50 for each bird.

Baggage—Passengers will be allowed 30 cubic feet of baggage free for each adult, first cabin; 20 cubic feet for each adult passenger, second cabin; 15 cubic feet each adult third-class or deck passenger. Children's and servants' in proportion.

Excess baggage will be charged at the rate of 15 cents per cubic foot to Jamaica and 20 cents per cubic foot to Colon and Colombian ports.

Automobiles, accompanied by their owners or chauffeurs, will be carried between New York and Kingston at owner's risk of damage while loading, unloading, or in transit, at \$25 for each car weighing 2,000 pounds or less, and 50 cents per 100 pounds additional for all weight in excess of 2,000 pounds. Details,

such as loading, permits, general restrictions, to be governed by local conditions affecting the line.

Head tax—United States alien head tax of \$4 will be charged in addition to regular rates in case of alien passengers purchasing tickets to New York or round-trip tickets from New York.

All other regulations and general conditions of both lines, such as through baggage to Pacific coast points, rates for same, etc., to conform with each other.

Dated New York, October 7, 1908.

Mr. HARDY. I see the agreement was to expire, by its terms, probably in 1911.

— Mr. BECK. It has been extended.

Mr. HARDY. It has been extended from year to year? It is a nine-year agreement?

Mr. BECK. Yes. It now expires in March of this year—that is, if notice of cancellation is given by either party.

The CHAIRMAN. It is still in force, as I understand?

Mr. BECK. It is still in force.

The CHAIRMAN. Have you any arrangement or agreement or understanding with the United Fruit Co.?

Mr. BECK. We have no hard and fast agreement with the United Fruit Co., but it is tacitly understood that they will observe the same rates and conditions as the Royal Mail Steam Packet Co. and ourselves.

The CHAIRMAN. That is, the arrangement existing between you is observed by the three lines, as I understand it?

Mr. BECK. That is right.

Mr. HARDY. I see that with the Royal Mail Co. you had a pooling agreement, as I understand it?

Mr. BECK. Yes; that was a pooling agreement.

Mr. HARDY. Have you a pooling agreement with the fruit company?

Mr. BECK. No; we have not.

Mr. HARDY. Only a rate-fixing agreement?

Mr. BECK. I should hardly call it an agreement.

The CHAIRMAN. There has been recently a marked increase in the freight rates between Jamaica and American and British ports, has there not?

Mr. BECK. Yes. The freight rates have been advanced approximately 15 per cent within the last year.

The CHAIRMAN. Has not the minimum rate been increased from \$4 to \$7?

Mr. BECK. The minimum rate has been increased from \$3 to \$5.

The CHAIRMAN. I mean from \$3 to \$7?

Mr. BECK. From \$3 to \$5.

The CHAIRMAN. We have information that it has been recently increased from \$3 to \$7.

Mr. BECK. That information must be erroneous. I have brought with me our Jamaica tariff, and if you will permit me to consult it, I will give you that definitely. [Consulting paper.] The minimum charge to Kingston is \$5 and to Jamaica outports, \$7. You probably have confused the outports with Kingston.

The CHAIRMAN. Our information does not mention the ports.

Mr. BECK. The Jamaica outports are naturally a transshipment proposition. They are not of sufficient importance to warrant direct service, and for that reason the rates to the Jamaica outports, including the minimum, are higher than to Kingston.

The CHAIRMAN. When were these rates increased? Can you give the date definitely?

Mr. BECK. The last increase took place on January 10, effective February 15. That is, the increased rates are not now in effect.

The CHAIRMAN. The Royal Mail Steamship Co. operates, you say, from Jamaica to ports in Haiti, does it not?

Mr. BECK. It does.

The CHAIRMAN. What do you say as to the rates from European points to Jamaica as compared with rates from New York to Jamaica?

Mr. BECK. The rates from Europe to Jamaica are considerably higher than from New York to Jamaica.

The CHAIRMAN. Can you give about what the difference is in percentage?

Mr. BECK. Roughly, I should say that the European rates are at least 30 per cent higher.

The CHAIRMAN. What was the minimum rate to Kingston before this increase was made?

Mr. BECK. The minimum rate to the outports, I believe, was \$3, the same as to Kingston.

The CHAIRMAN. The rate to Kingston has been increased from \$3 to \$5 and to the outports from \$3 to \$7?

Mr. BECK. That is right.

The CHAIRMAN. I believe you say, however, that you have a steamer that makes all these outports, distributing the freight directly at those ports instead of from the one port where it was shipped heretofore. Is that correct?

Mr. BECK. Yes; but may I interrupt you a moment?

The CHAIRMAN. Yes.

Mr. BECK. That service is conducted at a loss to us, and the higher rates obtained to the Jamaica outports do not offset the additional expense involved in making direct deliveries to such small ports, the cargo for which will sometimes not be over 20 or 25 tons. Naturally, when a steamer goes into a small port it has to pay the regulation port charges, and that makes the expense of delivering at small ports all out of proportion to the freight we receive. Since we have conducted our service direct instead of transshipping at Montego Bay, as we did formerly, I estimate we have lost on five departures in the neighborhood of \$5,000.

The CHAIRMAN. You speak of the minimum rate. Explain that now, so we will understand it.

Mr. BECK. The minimum rate is the minimum freight for which we will issue a bill of lading.

The CHAIRMAN. In other words, you will not issue a bill of lading for less than \$7 to one of those outports?

Mr. BECK. That is right; but the shippers, if they choose, can take advantage of our parcel receipt rates on small shipments.

The CHAIRMAN. Explain that.

Mr. BECK. We issue a parcel receipt, a very simple affair, under which our obligations are not quite as great as they are under a bill of lading and, in consideration of that, we accept a rate to Kingston of \$1 for the first cubic foot or fraction thereof, and 50 cents for each additional cubic foot up to 9 cubic feet, which is all explained in our tariffs, which you have in your possession.

The CHAIRMAN. Is there any other question on that?

Mr. HARDY. How much would that be a ton?

Mr. BECK. Parcel receipts are only issued for packages up to 9 cubic feet.

Mr. HARDY. What is supposed to be a ton in space?

Mr. BECK. A ton in space is 40 cubic feet. The English ton is 40 feet; the German metric ton is about 35 cubic feet, and the French ton is about 50 cubic feet.

Mr. HARDY. But that rate of \$1 for the first cubic foot and 50 cents for each additional cubic foot up to 9 cubic feet, would make you \$5 per 9 cubic feet, would it not?

Mr. BECK. Yes; that is only for parcels.

Mr. HARDY. That is for small parcels?

Mr. BECK. Yes. If the shipment exceeds 9 cubic feet it would be to the shipper's interest to take out a bill of lading instead of a parcel receipt, when he would enjoy the regular rate per ton or per cubic foot, as the case may be, subject to the minimum charge.

Mr. HARDY. This parcel receipt, then, does not affect your minimum charge at all; it is just a receipt for small parcels, is it not?

Mr. BECK. It is an avenue for shippers who have small parcels to send and who do not want to pay the minimum bill of lading charge.

Mr. HARDY. That is, they do not want to pay for a whole ton; is that what you mean?

Mr. BECK. The minimum is not per ton. The minimum is the least freight we will issue a bill of lading for.

Mr. HARDY. But I thought you had changed your rates to \$5 per ton minimum charge?

Mr. BECK. Not \$5 a ton, simply \$5 minimum charge.

Mr. HARDY. \$5 for what, then?

The CHAIRMAN. That would be for 9 cubic feet?

Mr. BECK. For the freight on the goods. We will not issue a bill of lading for less than \$5.

Mr. HARDY. I understand now what you mean; but it gives me an entirely different idea as to what was meant by your increase from \$3 to \$5. I thought that the increase meant that you were raising the rates of your freight, but as I understand you now you are only raising the limit of your minimum charge?

Mr. BECK. Exactly.

Mr. HARDY. What have you done with reference to your freight? Suppose a man now is shipping 1,000 tons of freight—how much more is that than it was 12 months ago?

Mr. BECK. As I explained a little earlier, the advance in freights to Jamaica amounts to about 15 per cent, on the average.

Mr. HARDY. I was not here. I did not know you had gone over that.

The CHAIRMAN. I believe you say you also have a line running to Colombia?

Mr. BECK. We have. We have a weekly service from New York to Colombia and Atlantic ports, namely, Porto Colombia, or Sabanilla, as it is sometimes called, Cartagena, and Santa Marta.

The CHAIRMAN. What other lines run to those points, or any of them?

Mr. BECK. The Royal Mail Steam Packet Co. and the United Fruit Co.

The CHAIRMAN. You have a weekly service, do you?

Mr. BECK. We have a weekly service. The Royal Mail has a fortnightly service and the United Fruit Co. has a weekly service.

The CHAIRMAN. You may state if your company is a party to any agreement or agreements, or any understandings with those companies, or either of them, or those lines, or either of them, as regards either freight or passenger traffic to or from the United States to these ports in Colombia, or any of them.

Mr. BECK. Our relations with those companies are exactly the same in connection with the Colombia trade as I have just explained in regard to the Jamaica trade.

The CHAIRMAN. The same agreement operates in that trade as in the Jamaica trade, does it?

Mr. BECK. The agreement with the Royal Mail Steam Packet Co., of which I have handed you copies, covers Colombia, Jamaica, and Colon.

The CHAIRMAN. And the United Fruit Co. acts in accord with your company and with the Royal Mail Steam Packet Co. in that trade as to Jamaica and Colombia and Colon, do they not?

Mr. BECK. They act in harmony with us, but have no written agreement with us.

The CHAIRMAN. Is it a verbal understanding?

Mr. BECK. Not even that. They follow our rates, but they are under no obligations whatsoever to do so.

The CHAIRMAN. But you all act in accord, do you not?

Mr. BECK. We act in accord; yes, sir.

The CHAIRMAN. Which companies operate directly between New York and Colon?

Mr. BECK. The Royal Mail Steam Packet Co., the United Fruit Co., the Panama Railroad Steamship Co., and ourselves. Occasionally the Munson Steamship Co. has dispatched steamers to Colon, but they serve Colon regularly from Baltimore and only occasionally from New York.

The CHAIRMAN. What lines operate from the Isthmus of Panama on the Pacific side to the west coast of South America?

Mr. BECK. The Pacific Steam Navigation Co., the Compania Sud Americana, or what is known as the Chilean Steamship Co., and the Peruvian Steamship Co.

The CHAIRMAN. State whether or not those companies have any agreement or agreements or understandings between themselves with reference to the trade to the west coast of South America?

Mr. BECK. I have no definite knowledge, but my understanding is that the Pacific Steam Navigation Co. and the Compania Sud Americana work in harmony. The Peruvian Steamship Co., which is a Peruvian Government interest, does not act in complete accord with the other two lines.

The CHAIRMAN. You may state if your company or companies, operating from New York to Colon, have any agreement or agreements, or any understanding or understandings with those steamship lines, or any of them, operating from Panama to the west coast of South America?

Mr. BECK. To explain that I shall have to go into a little back history. Up to the time that the Hamburg-American Line Atlas service began to run to Colon I believe the Panama Railroad Steamship Co.

was the only one in operation between New York and Colon. When we went into that trade it was with the understanding that we would not disturb the tariffs that then existed on business to the west coast ports.

The CHAIRMAN. Will you explain that again?

Mr. BECK. It was with the understanding that we would not disturb the tariffs then existing on cargo for the west-coast ports. The other lines, which have subsequently entered that field, namely, the Royal Mail Steam Packet Co. and the United Fruit Co., have also observed those tariffs. They are the original tariffs published by the Panama Railroad Co.

The CHAIRMAN. That is the Government-controlled line?

Mr. BECK. Exactly. Now, on business from the west coast to New York the west-coast carriers fix the tariff. The carriers on the Atlantic side of the Isthmus have nothing whatsoever to do with those rates.

The CHAIRMAN. They all get about the same proportion of the rate, I presume, do they not?

Mr. BECK. So far as I know the rates are divided the same for all lines, approximately 30 per cent to each carrier.

The CHAIRMAN. Now, let us go to Central America. To what points does your line go?

Mr. BECK. On the west coast we serve Central America and Mexico. We, of course, can not go beyond that, because we run under the German flag and are prohibited by our coastwise laws from partaking in the west-coast business of the United States.

The CHAIRMAN. You say your line operates to the west coast of Central America?

Mr. BECK. To the west coast of Central America and Mexico; that is, we accept cargo for Colon, where we deliver it to the Panama Railroad Co. who in turn deliver it to the Pacific Mail Steamship Co.

The CHAIRMAN. What other lines do the same thing?

Mr. BECK. The Royal Mail Steam Packet Co., the United Fruit Co., and the Panama Railroad Steamship Co.

The CHAIRMAN. Have you a line on the Pacific side yourselves, or is all this traffic there conducted by the Pacific Mail Steamship Co.?

Mr. BECK. We have no line on the Pacific coast.

The CHAIRMAN. On the Pacific side?

Mr. BECK. All our Central American cargo is transshipped by the Pacific Mail Steamship Co.

The CHAIRMAN. You then carry it from New York to Colon, where it is transferred to the Panama Railroad, and at the Pacific end of the canal or the railroad it is transshipped to the Pacific Mail Steamship Co. and distributed to Central American and Mexican ports?

Mr. BECK. That is right.

The CHAIRMAN. That business is controlled under the same understanding between the lines mentioned as the business to the west coast of South America, is it not?

Mr. BECK. That is right.

The CHAIRMAN. Do you serve any of the Central American and Mexican ports on the east side?

Mr. BECK. On the east coast we serve only Port Limon, Costa Rica, and Bocas del Toro, Panama.

The CHAIRMAN. You do that directly, or how?

Mr. BECK. Directly. We have a weekly service to Port Limon and one steamer every four weeks to Bocas del Toro.

The CHAIRMAN. The Royal Mail and the United Fruit also serve those ports, do they not?

Mr. BECK. They do not. The United Fruit Co., I beg pardon, serves Bocas del Toro and Port Limon. The Royal Mail does not.

The CHAIRMAN. Have you any understanding with them—I mean with the United Fruit Co.—as regards your freight or passenger traffic?

Mr. BECK. We observe the same tariffs, but there is no hard and fast understanding.

The CHAIRMAN. Now, you may state whether or not there is any agreement or understanding between your line and the other lines mentioned, or any other lines, with reference to the trade from the Gulf ports and these various points you have mentioned.

Mr. BECK. The United Fruit Co. conducts a service from New Orleans to Colon, and observes the same tariff from New Orleans as the tariff from New York.

The CHAIRMAN. Do you mean the rate is the same from New Orleans as the rate is from New York?

Mr. BECK. Yes, sir.

The CHAIRMAN. Is that by agreement between the companies?

Mr. BECK. Well, that is a tacit understanding existing between the companies.

The CHAIRMAN. And they are working under that understanding, are they?

Mr. BECK. That is right.

The CHAIRMAN. But it is not in writing?

Mr. BECK. It is not in writing.

The CHAIRMAN. How about the Cuban trade?

Mr. BECK. We have no understanding whatever with any line from the Gulf. I believe there is an understanding in existence between other Cuban lines from New York and from the Gulf, but we are not a party to it.

The CHAIRMAN. That is, you think there is an agreement between other lines from New York to Cuba, and lines from Gulf ports to Cuba?

Mr. BECK. Yes.

The CHAIRMAN. Do you know what companies those are?

Mr. BECK. I could not name them, not completely.

The CHAIRMAN. Well, give us your best information.

Mr. BECK. The Munson Line, the Ward Line, and the Morgan Line.

The CHAIRMAN. The Morgan Line?

Mr. BECK. Yes.

The CHAIRMAN. Are there any questions, gentlemen, you wish to ask him?

Mr. HARDY. Does your company observe the terms of that agreement?

Mr. BECK. The one just spoken of, the Gulf agreement?

Mr. HARDY. Yes.

Mr. BECK. No; we are not a party to it.

Mr. HARDY. Not a party to it, but do you enter into competition with the members of that agreement?

Mr. BECK. We pay absolutely no attention to the agreement. I do not know what the agreement is, and we work absolutely independently of it.

Mr. HARDY. You go into the same territory as they do?

Mr. BECK. We only serve one part in Cuba. Our Cuban business is a very small one.

Mr. HARDY. And that is?

Mr. BECK. We only go into Santiago and we pay no attention whatsoever to what the Gulf lines are doing.

Mr. HARDY. You go to Santiago, not as an ultimate destination, but it is a way port?

Mr. BECK. Yes, sir; a way port, exactly.

The CHAIRMAN. Is there anything else you want to add to what you have said, by way of explanation?

Mr. BECK. I only wish to hand you copies of tariffs which have been issued since you last called upon me for that information. Shall I name them?

The CHAIRMAN. Yes; you may name them. They will not go into the record, however.

Mr. BECK. Jamaica, tariff No. 3; Colombia, tariff No. 3; Port Limon, tariff No. 3; Haiti, tariff No. 1; and Caribbean, classification No. 2.

The CHAIRMAN. Have they been changed recently?

Mr. BECK. These have been revised recently.

The CHAIRMAN. Since we called upon you for them?

Mr. BECK. Yes, sir.

Your subpoena commands me also to hand you any freight contracts which we may have. Now, as to West Indies business, practically no contracts exist. It is more like a railroad business. The shipper tenders his goods, we accept them, issue bills of lading, and the question of rates is discussed only infrequently. The shippers are all familiar with our tariffs. They appear to be satisfied with the tariffs and tender their goods for shipment, and the question of rate is not discussed.

Occasionally we have some large engineering propositions put before us, when perhaps the question of rate is a very important one, and it is then customary for the lines who are interested to get together and discuss the basis for such business.

The CHAIRMAN. You mean some engineering matter you are referring to?

Mr. BECK. For instance, like the building of a railroad.

The CHAIRMAN. Material for a railroad or machinery for a mine?

Mr. BECK. Exactly. Now, at the present time we have only one such contract in existence, which I have brought a copy of. It is a contract with the Caribbean Construction Co., which is building what is known as the National Railway of Haiti, in Haiti. When this proposition came up they came to us to find out what assistance we would offer them, and, realizing that they were to improve the country which we were then serving, we have allowed them special rates on their freight.

Mr. HARDY. You did that as a builder up of your own business?

Mr. BECK. Exactly; we figured that the building of railroads in Haiti would increase the exports and imports in that country, and

we therefore gave them low rates to encourage the undertaking. That contract is still in existence, and I hand you a copy of it.

The CHAIRMAN. We do not care to put it in the record. It may be marked for identification.

The contract here submitted by the witness was marked by the stenographer, "Exhibit 63, January 22, 1913, Beck," for identification.

The CHAIRMAN. Do all shippers get the same rates to various points that you have mentioned?

Mr. BECK. The rates are alike to all.

The CHAIRMAN. What did you say?

Mr. BECK. The rates are alike to all.

The CHAIRMAN. That is for small as well as large quantities?

Mr. BECK. Yes; there is no difference made, except in cases such as I have mentioned.

The CHAIRMAN. Can you state how those rates compare with the rates to Europe; that is, from New York ports to Cuba or Haiti, San Domingo, and Colon, and the other points mentioned?

Mr. BECK. The rates are invariably lower from the United States than from Europe.

The CHAIRMAN. Will you state whether or not there is any understanding or agreement between your company and the Red D Line by which you keep out of Venezuelan ports?

Mr. BECK. There is no understanding whatsoever between the Red D Line and ourselves.

The CHAIRMAN. If there is nothing further, you may be excused, unless you desire to make some further statement.

Mr. BECK. I am asked in my subpoena as to what conferences the Atlas service is a member of.

The CHAIRMAN. Yes.

Mr. BECK. We are a member of what is known as the "Caribbean conference," which is a conference which devotes its time entirely to noncompetitive features of the business, in which we are mutually interested, such as improving our form of bill of lading, dock receipts, shipping permits, and matters of a nature which are not competitive.

The CHAIRMAN. And in which you are all mutually interested?

Mr. BECK. Yes.

The CHAIRMAN. Is there any qualification for membership in this conference?

Mr. BECK. No; everyone in the trade is invited to join. They have not all joined, but most of the lines in the West Indies and the Cuban trade are members of the conference.

The CHAIRMAN. Would any line that cuts rates be barred from the conference?

Mr. BECK. The question of rates is never discussed in that conference.

The CHAIRMAN. As I understand, this conference is made up indiscriminately between all the lines engaged in that trade, whether they operate from New York or other ports on the Atlantic or the Gulf coast?

Mr. BECK. This conference is one of New York lines only.

The CHAIRMAN. New York lines only?

Mr. BECK. Yes.

The CHAIRMAN. Engaged in that trade?

Mr. BECK. Yes.

The CHAIRMAN. And those who are members of that conference are connected with lines that are acting in harmony in that trade?

Mr. BECK. Well, not necessarily so. The lines that are members of that conference may be fighting each other in rates and at the same time still be members of the conference and be able to agree on such matters as I have mentioned; and that is the purpose of the conference. I should be glad to send you the minutes of the meetings of that conference, if that will be of any interest to you. In fact, I believe Mr. Gottheil has left with you the minutes of the first and second meetings, which describe the scope of that conference.

The CHAIRMAN. Yes; I think we have them. Your line is a German line?

Mr. BECK. Yes.

Mr. HARDY. Is any part of it owned in New York—any of the stock owned in the United States?

Mr. BECK. Not to my knowledge.

Mr. HARDY. Do they own their own boats or charter them?

Mr. BECK. Our company owns practically all the steamers that they run, but they charter when necessities require them to do so.

The CHAIRMAN. Where are the rates to these various ports to which you have referred made—in New York?

Mr. BECK. Made in New York.

The CHAIRMAN. Are they subject to revision abroad?

Mr. BECK. No. Our European principals do not interfere in any way with the rate making of the New York service.

The CHAIRMAN. I understand they are made independently of European rates, and are not affected by them in any manner?

Mr. BECK. No; we keep the European rates well in view when fixing the rates from New York.

The CHAIRMAN. And use them as a basis of your rates?

Mr. BECK. To a large extent, yes; but, as previously explained, the New York rates are on a lower parity.

The CHAIRMAN. I suppose you observe the same classifications?

Mr. BECK. The classifications are virtually the same. Of course, there are commodities which are shipped from the United States which do not move from Europe, and vice versa.

The CHAIRMAN. I suppose on those that move alone from the United States you have rates made here?

Mr. BECK. Yes. While the rates are made here on everything we naturally keep Europe in view, because Europe is our strongest, in fact, our only competitor, and the rates are fixed with the object of developing our United States trade.

Mr. HARDY. Is that why you fix the American rates lower than the European rates?

Mr. BECK. That is one reason.

Mr. HARDY. Your owners being all foreign are not they interested in developing European trade rather than the American?

Mr. BECK. No; they are interested only in making money.

Mr. HARDY. So that their being a foreign line does not prevent them from still giving preference or lower rate to American goods

in order to develop the American business. That is where their money lies?

Mr. BECK. We do not give preference to one country or the other. We develop our services where the development will net us the most revenue, be it from Europe or from the United States.

Mr. HARDY. Still if your rates were lower from Europe that would have a tendency to throw the trade to Europe, would it not?

Mr. BECK. Naturally, it would.

Mr. HARDY. And if they were lower from America it would have a tendency to throw it to America?

Mr. BECK. Yes; but the American business differs very largely from the European business. It is only on a limited number of commodities that Europe competes with the United States. Our business to the West Indies consists very largely of foodstuffs, flour, packing-house products, wheat, corn, and in fact all grains.

Mr. HARDY. But on those where there is competition you give the lower rates to the United States?

Mr. BECK. The lower rates to the United States. Because of its being a shorter voyage the United States should naturally have lower rates than Europe.

Mr. HARDY. You are giving it the advantage of its natural proximity, then?

Mr. BECK. Yes.

Mr. HARDY. One reason why I am asking this question is because of the claim that the foreign steamship lines naturally favor their own countries to the detriment of the United States trade. Is that so as regards your line?

Mr. BECK. I have never seen the least sign of it.

Mr. HARDY. In fact, you fix the freight rates here in this country, you say?

Mr. BECK. We fix the rates. I am interested in developing the New York service, because it is my department, and I aim to fix the rates at a point which will permit the shippers from the United States to do the business.

The CHAIRMAN. In other words, you would not want to make a rate which would put your line out of business as against European lines?

Mr. BECK. The question would then arise as to where we made the most profit out of it—from New York or from Hamburg—and the service that could make the most money out of the business would be the service that would be permitted to carry it.

The CHAIRMAN. There is not much sentiment involved in it? It is purely business?

Mr. BECK. Absolutely none. It is purely a matter of dollars and cents.

The CHAIRMAN. You are interested in developing the trade between New York and these ports?

Mr. BECK. We are; most assuredly.

The CHAIRMAN. Increasing our exports not only of foodstuffs but manufactured products as well?

Mr. BECK. Yes; manufactured products as well.

The CHAIRMAN. Is there anything further you desire to say?

Mr. BECK. I have nothing further.

Mr. Post. I wish to ask the witness one question. If I understood you rightly, you said the freight rates from New Orleans to Colon were the same as from New York to Colon. Why were the rates fixed the same from those two points?

Mr. BECK. In my opinion, it was because they are able to get those rates. The cargoes shipped from Colon consist almost entirely of what we call staples; that is, grain, flour, lumber, and other rough cargo. The Gulf is the natural gateway for all that stuff. New York is not. And the New Orleans line can easily obtain the same rates as the New York line. In fact, they could command a premium, but they do not attempt to get higher than the New York rates.

Mr. Post. What is the difference in distance in the two routes?

Mr. BECK. I should say about 400 miles in favor of New Orleans—practically only a day's steaming.

Mr. Post. What is the difference, if any, in the passenger rates between the two points?

Mr. BECK. I am not familiar with the passenger end of the business at all.

Mr. HARDY. If the distance is a day's sailing nearer, why is it that you do not give some cheaper rates to the Gulf ports from New Orleans than you do from New York?

Mr. BECK. My experience has been that in the steamship business distances do not count for a great deal, and, as I have previously explained, the Gulf being the natural outlet, and inland rates to the Gulf being lower from the point of origin than from that same point of origin to New York, the Gulf has already a tremendous advantage when the Gulf lines observe the same rate as from New York. As to the equity of the thing I am not prepared to pass an opinion.

The CHAIRMAN. In other words, most of the traffic coming down the Mississippi would be carried at a much less rate than the all-rail route from inland points to New York, and normally and logically the rate from New Orleans to Central American ports ought to be less than from New York? That is a fact, is it not?

Mr. BECK. Only from the standpoint of the shorter distance, but you should also take into consideration that the trade from the Gulf is of a less profitable nature. As I said before, it consists of the rough cargo such as lumber, corn, grain, and packing-house products. Those commodities carry the lowest rates of any that are carried to the West Indies. If they should accept lower rates on those commodities than the New York lines do they would suffer a great loss. They could not afford to do it. We can accept those rates from New York because our freight is sweetened by higher class merchandise which forms a considerable share of our cargo, what we call our measurement goods, boots and shoes, dry goods, clothing, furniture—

Mr. HARDY. That makes your average rate higher from New York?

Mr. BECK. That brings up our average earnings. The Gulf lines have none of that high-class cargo. They have only the rough cargo.

Mr. HARDY. Does your line run regularly to the Gulf ports from New Orleans?

Mr. BECK. No; we have no service from New Orleans.

Mr. HARDY. Then, your rate is more a matter of theory than of actual carrying if you have no lines from New Orleans?

Mr. BECK. I am only speaking from a general knowledge of the Gulf trade, but we are not directly interested in it so far as the West Indies and Caribbean ports are concerned.

The CHAIRMAN. My impression was that perhaps the reason was this, that you made the rates from New Orleans or the Gulf ports to Central America the same as from New York so as to absorb the difference in the rates from inland points to New Orleans as compared to inland points to New York, just like, for instance, I notice you recently increased your rates to Jamaica, I believe you said, about 15 per cent. I understand that recently they reduced their ad valorem custom duties in Jamaica from 16½ per cent to 10 per cent, and the freight rates absorbed that difference. So the people do not get any relief in the reduction in the tariff duty.

Mr. BECK. I have not even a knowledge of that reduction in the tariff of which you speak.

The CHAIRMAN. We are confronted with the same condition in the Brazilian trade, where we get a differential of about 30 per cent, but no sooner were we given that by Brazil than the steamship companies advanced the rates to absorb it.

Mr. BECK. I can not speak definitely of the Brazil trade, but I know, so far as the Jamaica trade is concerned, that the advance in rates was made without any knowledge on the part of the lines interested that there had been a reduction in the Jamaica duties. In fact, the first I have heard of it is now, that you mention it, and all advances in rates were based entirely upon the increased cost of operation and the increased value of tonnage throughout the world. A steamer's time to-day is worth 100 per cent more than it was 12 months ago.

The CHAIRMAN. Why is that?

Mr. BECK. Because the world's shipping seems to have grown faster than the world's tonnage, and there is a demand for vessels in all trades.

The CHAIRMAN. It is only a very few years ago—I would not say more than four—that various representatives of steamship lines stated before this committee that the world's tonnage was far in excess of the world's needs, and they stated in their report that there were ships lying idle. You say that condition does not exist to-day?

Mr. BECK. No; everything that floats is in use, but the condition you have mentioned did exist four or five years ago.

The CHAIRMAN. Yes; I recall that statement having been made here.

If there is nothing further that the committee desires to ask Mr. Beck, he may be excused. We will now hear Mr. Sickel.

TESTIMONY OF MR. W. G. SICKEL, VICE DIRECTOR IN CHARGE OF TRAFFIC OF THE HAMBURG-AMERICAN LINE.

The witness was duly sworn by the chairman.

The CHAIRMAN. Give your name, address, and business.

Mr. SICKEL. W. G. Sickel, vice director in charge of traffic of the Hamburg-American Line.

The CHAIRMAN. You indicated to me, Mr. Sickel, that you would like to make a preliminary statement without interruption, and if it is agreeable to the committee you may do so.

Mr. SICKEL. Mr. Chairman, as I rather expect to be on the stand a considerable time, I think it would be best for me first to give you a comprehensive idea of the services of our company, because much that I may say later on has a bearing on services of our company which do not touch the United States, and with your permission I will give that.

The CHAIRMAN. Very well.

Mr. SICKEL. The Hamburg-American Line is incorporated under the laws of Germany. It operates the following services, which I will give in groups in order not to burden the record too much.

They are as follows: From Hamburg to the West Indies and the Caribbean districts.

From Hamburg to Mexico and Cuba.

From Hamburg to the Far East, taking in ports such as Penang, Singapore, Manila, Hongkong, Shanghai, Yokohama, Kobe.

From Hamburg to ports in India, such as Colombo, Madras, Calcutta, Bombay, and Rangoon.

From Hamburg to the various Brazilian ports.

From Hamburg to ports in the River Plata.

From Hamburg around the Horn to the west coast of the two Americas, as far north as San Francisco.

From Hamburg to ports in the Persian Gulf.

From Hamburg to all of the various ports on the west coast of Africa, comprising in number in the neighborhood of 100.

Those are all services in which the United States has no interest. I will now give you the services operated from Canada and the United States: From Montreal in the summertime and from the Canadian winter ports, such as Halifax and St. Johns in the winter; from Boston to Hamburg; from New York to Hamburg; Philadelphia to Hamburg; Baltimore to Hamburg; Newport News and Norfolk to Hamburg; Savannah to Hamburg; New Orleans to Hamburg; Galveston to Hamburg; and occasional steamers from Port Arthur and Mobile to Hamburg.

From New York to the middle and south parts of Brazil; from New York to the west coast of Africa; from New York to Genoa and Naples; from New York to Cuba, Haiti, Colombia, Panama, and Costa Rica; and during the winter cruising business, from New York and New Orleans to ports in the West Indies and Panama, and from New York to Oriental ports. Many of these trades are divided up into separate services and the number of trades covered by my statement just made comprising 70 different services, touching at about 300 ports of the world.

Your chairman has very kindly permitted me to make a preliminary statement and at the conclusion of this statement I shall be most happy to answer any questions bearing on what I have said or any feature of the business on which I can throw any light. It would be an insult to the intelligence of this committee to deny that many of the prominent foreign trades are conducted by the medium of agreements between the lines serving that trade, not infrequently supplemented by pools or rebates. In order to make clear the necessity for these instruments for doing the business, all of which are gradual and natural evolutions, it is necessary to take some specific trade and follow it from its inception to its present state of develop-

ment. What will be true of one trade will be more or less true of nearly all the others.

I have decided to take for my example the trade between the United States and Central America, the northern countries of South America and, in general, the whole Caribbean district.

About 13 years ago, the only regular line serving this district from the United States was an English corporation known as the Atlas Line. The company was old-fashioned, unprogressive, and was making no money. Their ships were antiquated and, as small as the trade was then, they were not serving it properly. Our principals, believing that the future of the trade between the West Indies and the United States permitted of development, purchased the company, putting the steamers under the German flag. Our first work was to rejuvenate the line. Little by little we did away with all the old steamers, substituting for them modern steamers with a larger freight and passenger capacity. The work was being done gradually. We offered facilities to upbuild the business that were in advance of the needs of the trade. The result was, it was several years before we could see the return of a new dollar for an old; but about the time that we were beginning to see some daylight in our venture, which, if I remember correctly, was about five years after we had purchased the line, the Royal Mail determined to extend their service, then running between England and the West Indies, on to New York, thus competing with our Atlas service.

Evidence that I have read so far before this committee has led me to believe that it is in their minds that the prominent foreign steamship companies have parceled out the world among themselves. For many years prior to the advent of the Royal Mail competition, the relations between my company and that company, in trades from Europe in which the United States is not interested, were of a friendly nature, and yet, without any preliminary negotiations, without asking our leave or permission, they announced that they intended to compete with us. Naturally, after the five years of losses that we had sustained in the Atlas service, the Royal Mail was not a welcome guest. We, of course, resented the advent of another line whose additional tonnage would make the profits on our venture difficult, and, while I can see the fallacy of it now where I could not then, yet nevertheless, we resented their entry into the trade and for a period of probably two years, we fought them. The Royal Mail is a strong company and, at the end of two years, neither one had succeeded in eliminating the other and the natural result was that we came to an agreement. But let me point out what happened before we arrived at this agreement. I have already stated that, up to the time of their entering we ourselves had overtonnaged the trade, and it was made worse when the Royal Mail came to compete with us. Having no understanding with them and wishing to protect ourselves, we would go to a shipper and make some secret arrangement with him. Such things can not be kept private for long and the Royal Mail did the same thing, with the result that, when we came to an agreement and each of us tabled our secret contracts, it was most surprising to see how, unconsciously, we had been unjust to many shippers by giving some of them preferential rates. I presume if both of us had been determined to annihilate the other, and, for the sake of argument, one had been driven out of the trade,

would it not have automatically created a monopoly, because, if one strong line could drive another strong line out of the trade, it would be a bad trade for any weak competitor to venture in the future. Unrestricted competition based on the law of the survival of the fittest must in the end result in monopoly.

After we came to our agreement with the Royal Mail and all secret arrangements with shippers had been canceled or expired, every shipper was on an equal plane with the other. Discriminations had ceased. The natural question that you will ask is that, after we had come to our agreement, what was to prevent our putting the rates to a basis that would be exorbitant? There would be nothing to prevent this, except, if we had followed such a policy, which we did not do, the two partners in the trade would be subject to the same discriminatory measures of competition as we suffered at the hands of the Royal Mail. Fortunately for both of us, the original judgment displayed by my principles was proving to be good, because the trade grew rapidly, sufficient to enable us both to live alongside of each other.

The Atlas Line had gone through its second period of engaging in a trade that was overtonnaged, and was about seeing daylight for the second time, when the United Fruit Co., which is the largest importer of fruit from the West Indies to the United States, determined to go into the steamship business to handle, in addition to its own products, passengers and general merchandise and engage in the business as a common carrier, like ourselves. This decision on the part of the United Fruit Co. not only took large quantities of freight from the Royal Mail and from our Atlas Service, but we came again into the situation of having more steamers than the trade justified. Nevertheless, the United Fruit Co. was a powerful organization, which had experience in the handling of steamers and knew their business, and the Royal Mail and ourselves, as partners in the trade, admitted them without a protest, because both of us saw the fallacy of attempting to fight an organization of their experience and resources. The Royal Mail and ourselves have no agreements with the United Fruit Co., although we all three work in cooperation, but the fact remains that, with three large prominent lines serving that trade, there are more steamers than there is business.

Suppose, for instance, we did not work under some kind of gentlemen's agreement? The trade would soon be in a chaotic condition such as it was during our fight with the Royal Mail; and if the three of us engaged in a three-cornered fight, some one of us, or maybe two of us, would either drop out of the trade altogether or restrict our tonnage, and while shippers might have very low rates, they would not have the facilities to move their cargo, for it can not be denied that a long, hard fight among two or more ocean transportation companies does not expand but tends to restrict the development of those lines, which places our exporter at a disadvantage in competing in the world's markets.

My years of experience have shown to me that shippers do not as a rule object to the friendly agreements existing between lines for the maintenance of rates. On the contrary, they are assured that these agreements prevent discrimination. All they ask is that the rates be made reasonable enough to allow them to sell in competition with the foreign producer. In fact, I believe I am correct in stating

that it is an underlying principle with the Interstate Commerce Commission to do all within their power to maintain the stability of railway rates and to prevent discriminations; but in order to maintain these agreements it is not infrequently necessary to supplement them with pools and in some few cases with the rebate system. You can not make an agreement for the maintenance of rates with your competitor and expect him to live up to it if the arrangement does not give him a fair share of the business. It is not often that two or more lines will run side by side serving the same trade and have the service of both lines equal in every respect. For instance, in the Brazil trade the Lamport & Holt steamers are the favorite steamers, because they are faster. If the weaker lines maintain the same rates, the favorite line would get most of the business, certainly the higher-paying freight.

The interstate-commerce law prohibits the pooling of railway freight, and yet the railways of this country, weak and strong alike, maintain the same tariffs and are able to exist side by side with each other, and your natural question will be, if this is possible with the railways, why is pooling necessary with the steamship lines? The Pennsylvania and the New York Central Railways are the strong lines operating between Chicago and New York. The Erie Railway is always thought of as one of the weaker roads, but the weaker road can live alongside of the strong road for the reason that on the line of all these roads between Chicago and New York are many prosperous towns which must ship their freight by the road on which it is located. So, after all, there is an enormous proportion of business of all of our railways that is noncompetitive. I do not know whether it is true now or not, but some years ago the statement was made to me that in the neighborhood of 90 per cent of the traffic of the Pennsylvania Railway originated on or was shipped to local noncompetitive stations on their line. The route between New York and Brazil or New York and the Caribbean district is not dotted with prosperous towns that originate business that is noncompetitive with the route of your competitor who is serving the same foreign countries, so, after all, all of the business is through business, and no shipper is going to patronize the weak line when he can throw his traffic to the strong line that will serve him more efficiently.

Arrangements that prevent discrimination and maintain the stability of rates is what shippers seek. It is difficult to maintain them unless some provision is made in order to take care of the disabilities of the weaker line. It does not necessarily require to be done by pools; it is not infrequently done by allowing the weaker line some differential rate, but the pool is the more effective instrument in overcoming the weaker line's disabilities and maintaining the desired stability in rates.

I have read with particular interest the testimony of Mr. Story, of New Orleans, in regard to his venture into the Brazilian trade. In the first place, he was without experience in the business, and, so far as I know, his capital was limited. The whole project was poorly conceived for the reason that he chartered steamers at a very high charter rate, endeavoring to operate them in competition with regular lines who were not compelled to pay out a large profit to another owner for the use of the ship. Our own experience with chartered boats is that we invariably make losses with them, and if people of

years of experience can not operate chartered steamers at a profit, I think there would be very little chance for Mr. Story to do so with profit. Running the line from New Orleans, I have no doubt he was able to fill the steamers outward without difficulty, but that territory offers largely the low grades of freight, like timber, oil, and iron products. With his high charter rates and his low character of cargo, there is a grave question in my mind that, if he had filled his steamers with coffee northbound, the results would have been the same: merely that his death, as it was, was quick and sudden, where otherwise it might have been a little longer and therefore a little more painful.

Agreements such as have already developed before you do prevent a novice from competing, but they do not prevent an experienced man with capital from walking in and breaking up any of these combinations. Give me sufficient money to build and operate a modern fleet of steamers and sufficient financial reserve and I believe I could break any combination of steamship owners that exists, and the only reason that some lines are in one trade and others in another is because the world is a very large place and no line attempts to go into trades indiscriminately when maybe their own trades that they have worked on for years offer just as good a field for development.

I hope I have been able to show, in a faint way, at least, that agreements and pools are, after all, not effective instruments of protection against any strong line or combination of capital that may wish to enter into a trade, but I would like to go a little further and show that without cooperation among steamship lines the United States would not secure the facilities in some portions of the world to compete with the foreign manufacturer or producer. I have particularly in mind the fact that up to two or three years ago there was no regular line of steamers running between the west coast of Africa and the United States, although both England and Germany maintain frequent, regular, and efficient services from their respective countries to that part of the world. What little business had been shipped between the United States and the west coast of Africa up to a few years ago was done by tramp ships or sailing vessels with no fixed freight rates or sailing date—certainly not the kind of service necessary to the development of a new trade. Some of the prominent steamship lines in Germany clubbed together and determined to run a steamer regularly from New York touching at the principal ports on the west coast of Africa. The English lines were invited to join in this venture. We did this because, in the first place, we knew the service would run at a loss in its initial stages, and if we had plowed the original ground and lost a great deal of money and afterwards made it prosperous the English interests would undoubtedly, with or without our consent, have walked in and shared the business with us. The result of this is that the combined English lines and the combined German lines are now running a joint service from New York. You will see by this cooperation that new facilities are being offered the American shipper to develop his trade. I do not know how the partners in this venture adjust the results of the steamers, which I am confident up to date are losses, but I rather suspect it is done by some sort of a pooling arrangement, just as any two individuals might go into a venture. They settle the results among themselves on some equitable basis.

From the questions which the members of the committee have asked witnesses that have been before them I think it may still be in the minds of some of the gentlemen that the foreigners operate lines of steamers from the United States in order that they may restrict the trade of the United States for the benefit of their own countries. In all my years of experience—and I am testifying under oath—I can not recall any correspondence or instructions from my principals abroad that our policy in the operation of any of our lines should be run on any kind of a basis that would suppress American trade to the advantage of the foreigner. In fact, viewing this thing from another standpoint, almost a diametrically opposite condition prevails. My company makes a specialty of doing what is known as a through bill of lading business to foreign ports not served by direct steamers from the United States and to take such cargo to remote places of the world. For instance, in connection with our own lines, radiating from Hamburg to ports of the world other than the United States, and also in connection with other German lines operating from Hamburg, we are in a position to name a rate from New York to practically every port in the world. Let me give a concrete example. There is quite a considerable amount of business shipped from the United States to the Oriental and Black Sea ports, such as Constantinople, Salonica, Batoun, Odessa, Novorosisk, but there is not sufficient to justify the establishment of regular lines direct to those ports. There are lines of steamers running from Germany, England, France, and Italy to these ports. The trans-Atlantic lines serving England, Germany, France, and Italy are all in competition for this trade. In order for us to meet the competition of others, whether it is on an agreed rate or not, necessitates as a rule our shrinking our regular rate between New York and Hamburg, and the connecting carrier from Hamburg on the Oriental and Black Sea ports joins us in a similar shrinkage. Now, if Germany were endeavoring to throttle the trade of the United States through the medium of her steamship lines, do you think it reasonable or likely that the two German lines that make this through-rate combination would accept a less freight rate that they gave to their own German exporters? Of course, we would justify our action before the German shipping public by stating that if we did not carry that cargo our competitors via Italy or via England would do so.

The example that I give in regard to the rates to the Orient and the Black Sea could be multiplied many times over in other trades we serve, but time does not permit my giving a history of them all. The best that I can do is to pick an example, which is done at random.

Take another case of a dissimilar character: The Island of Jamaica is a British colonial possession. Germany's trade with it is very small, yet by our Atlas Service running from New York we are serving Jamaica in competition not with the German but with the British exporter.

This winter our company is operating nine passenger cruises from New York and New Orleans to ports in the West Indies, Central America, the objective point with all of them being the Panama Canal. These ships, which are of a high type, are offering the American public an insight to the possibilities of trade development in our southern Latin Republics, where the German interests already

have large trade. If the steamers of my company were being operated for anything other than for profit to themselves, they certainly would not be offering facilities to the American trade to develop business in a territory where the German exporter is already very strong. We are operating steamers to-day between New York and Italian ports, a thing in which Germany could have no interest.

And so on could I cite many other cases to refute the arguments that one foreign company that I know of at least is not running its steamers from the United States with the idea of throttling the foreign trade of this country.

My close association with the managers of other foreign lines leads me to believe that the situation is not dissimilar with them. If I am wrong in my deductions, the efforts to throttle American trade have certainly not been successful, for our Government records will show that our foreign trade is increasing each year by leaps and bounds and, measured in percentage, I think greater than the other nations.

My remarks up to the present moment have applied largely to the trade to the south of us. I wish now to touch more particularly upon our North Atlantic interests. In the testimony of Mr. Paul Gottheil, which was given week before last, questions were asked him which would indicate there is in the minds of this committee that the lines running across the Atlantic to England and Continental Europe have parceled off the trade so that there is no competition between them. I can not answer for the westbound freight traffic, for the reason that we in America do not have jurisdiction. Our work in the handling of westbound cargo is entirely mechanical, such as delivering the freight, collecting the freight moneys, examining into claims, etc., but my company leaves to the management in New York the whole question of making rates on the eastbound traffic. They never attempt to dictate either our rates or our policies. They leave that entirely in our hands. I have every reason to believe that a similar situation exists with the management of other North Atlantic lines serving other countries, nor have I any information from my principals that any arrangement exists by which one prominent North Atlantic line will not interfere with the trade of another. Surely in my position as director of freight traffic I would know the existence of such an agreement that would have a vital bearing on the branch of the business which I superintend.

I know of no arrangement that would prevent our operating a line of freight steamers from the United States, say, to Liverpool. We have no desire to enter that trade, because if we have ships for employment we prefer to develop the trades that we already have. It has been frequently commented upon that from the United States North Atlantic ports there is but one regularly established line to Hamburg. This is easily explained, because in the North Atlantic our steamers are mostly the combination type; that is, carriers of both freight and passengers. No strictly freight ship could live against us, for the reason that we offer the shipping public a rate so much less than the ordinary freight ship. To make this point a little plainer, last winter the offerings of freight were considerably in excess of our tonnage. In order to properly serve the public we chartered steamers to lift the surplus. If I remember correctly, we chartered in the neighborhood of 35 steamers, and, with the excep-

tion of two, they were all operated at a very bad loss. When we come to the South Atlantic and Gulf ports, where we do not operate the combined type of freight and passenger steamer, but serve that section with strictly freight steamers, we have very considerable competition, and, with rare exceptions, we operate such steamers without any understanding with our competitors. No attempt is ever made with the lines operating between here and the different ports in Continental Europe to jointly agree on the rates for export freight, although nearly all of the continental ports are in competition with each other. Hamburg, Bremen, Antwerp, and Rotterdam are merely gateways for the interior of Europe, just as New York, Boston, Philadelphia, Baltimore, and New Orleans are all competitive gateways to the interior portion of the United States.

Often our attempts to advance rates when we think conditions justify it are made abortive because our nearest neighbor, the North German Lloyd to Bremen, refuses to advance its rate, and, were we to take independent action, the flow of the cargo could and would likely be diverted to the Bremen instead of the Hamburg gateway. In a similar manner our port of Hamburg feels the competition of Rotterdam and Antwerp.

Conditions governing one trade of necessity differ from those governing another. For instance, in the Brazil and Carribean district, the trade is conducted more or less on fixed tariffs that do not have day-to-day fluctuations. On the other hand, a large portion of the North Atlantic trade is not done on tariffs but on rates that fluctuate daily.

In reading the evidence already before you, I have noticed that your chairman concludes nearly every cross-examination with the request that the witness will please suggest any plan that he may have in mind for the proper regulation of the steamship lines engaged in our foreign trade. Our Government records, which show an enormity of the increase in our foreign business, should be testimony to the fact that the evils existing—if evils there are—have not been of sufficient importance to retard the growth of the business. In fact, the increase in our foreign trade has been phenomenal, especially in the last two or three years. I presume public opinion will require this commission to make some recommendation. I am just as much at a loss to make a suggestion of value as any of my colleagues who have testified before me. While I am at a loss to suggest something definite in the way of regulation, yet I have a positive opinion as to what this commission should avoid in their recommendations, and that is anything that prevents freedom of action on the part of the steamship lines in making rates to fit the conditions which change almost daily. I would certainly recommend against any law that would compel us to file rates with a commission similar to the Interstate, which rates could not be changed except on a given notice.

The ocean transportation is governed by world's conditions, not local conditions. The products of the United States are in competition with the products of all other countries. Take, for instance, the article of grain, which is now moving abroad in very large quantities. If our rate was fixed by the commission and could not be changed without notice it would certainly hamper the sale of our product abroad. Suppose our rate was filed to-day with the commission at

10 cents a bushel from New York to Hamburg. The price of wheat in Russia or the Argentine and the cost of transportation from these countries to Hamburg might be such as to permit a grain exporter to sell his product on a 9-cents-a-bushel rate, if that rate were obtainable. During the time it would be necessary for us to change our rates with the commission, conditions might be such that he could pay no more than 8 cents a bushel, and both he and we would be so hampered that he would be at a serious disadvantage with his foreign competitors.

On the other hand, of the rate of 10 cents per bushel permitted his selling freely, how would it be possible for us to stop his selling when there was a question of limitation of room? It is not possible for the commission to state what percentage of our space we shall give to grain, what space to cotton, and to manufactured goods, because a steamer must be loaded with some regard to her stability. If the rate of freight on cotton is set by the commission at a certain figure, it might be a very remunerative figure for one line and an unremunerative one for another, because one line may need the light freight and another may not need it. I do not think that any law with sense or justice in it could be formulated that would restrict the operations of the so-called regular lines and not be made applicable to the tramp. The tramp ship is a ship that comes to-day for her cargo, receives it, delivers it, and then may go off into another part of the world and not return to the American waters for maybe a year or more. How it is possible for anyone to control that element of shipping is beyond me.

It must not be overlooked that the so-called regular lines from the United States to Great Britain and continental Europe are not the only mediums for the transportation of our exports. A great many articles of a bulky nature are carried by these tramps. I have in mind that much cotton is moved in full cargoes by ships not belonging to any of the regular lines and a similar situation exists with the movement of southern timber, of phosphate, wheat, corn, oats and coal. During times of depression, which are not existing to-day, the number of tramp ships engaged in the American business is not greater for the reason that the regular lines can, as a rule, take care of the offerings and they nearly always operate at a less rate than the tramp, as our experience when chartering tramp steamers has usually shown.

I do not envy the responsibility on the shoulders of this committee, because I am positive that any attempt to regulate the rates and conditions under which the foreign lines are now doing their business may cause a serious setback to our export trade. No law could possibly be passed that could compel us to operate a stated number of steamers, and, unless we could transact our business with the freedom that we believe is necessary and with the assurance of profitable results, the United States exporter might find himself in an unhappy position, with low and favorable rates but not sufficient bottoms to allow him to export his goods. The agitation now before this committee is not a new subject, as the evidence before the English Royal Commission on shipping lines, put in evidence by Mr. Gottheil last week, will show you. It does seem to me that the nations whose steamers are affected should have some voice in any attempt at regulation. They, in a sense, are equally interested with

us, because their products are shipped to the United States and it does seem impossible to regulate at only one end of the line. The commissioners appointed by the Sovereign of England to go into this question as to the affected English interests spent slightly over three years in making their investigations. It is true that their report was a divided one, which as far as any attempt at regulation was concerned left matters exactly where they were before the commission was formed. No doubt the British Government would welcome a revival of the subject. The other two large maritime powers are Germany and France, all having an equal interest in this matter, and my suggestion would be that this committee recommend to Congress that a commission be formed to carefully study this complex subject and if necessary visit abroad in order to study this question from the foreigners' point of view.

In conclusion, I am pleased to have this opportunity to revert to certain statements made at the time the so-called Humphreys bill was first presented to Congress. In behalf of my own company I wish to deny reports that were made at that time that this company at least has any affiliations with American railways. The only agreement with a railway to which we are a party was put in evidence by Mr. Gottheil when he gave his testimony last week. That arrangement was merely that we may be assured of terminal facilities at the Virginia ports. At many of the North Atlantic ports we operate at the different railway terminals, but we have no arrangement with any of them by which we have exclusive privileges. Assertions have been made that through rates were made on certain articles to the interior of the United States, which were less than the rates on the same article from the United States port of entry to the same point in the interior. I have no hesitancy in saying that no such state of affairs exists. It is true that our American railways do make, in the case of some articles, special rates on import and export goods, but never so much below the domestic rate that a through rate from Europe could be made less than the domestic. In a like manner, it is true that the German railways name special rates for export and import goods, but those rates, like in America, are open to the ship flying any flag.

Statements have been made that we influence the routing of freight by the railroads. This is not a fact, except at very rare intervals. When the steamers pointed toward one of our American ports may have a surplus of cargo, we may endeavor to divert new offerings of freight to another port, in order that there may be no delay in the cargo. Such things are done in the interests of the shippers, and, while one port may suffer a little to-day, to the advantage of its sister port, yet to-morrow the situation may be reversed.

The CHAIRMAN. We will take a recess until 2 o'clock, when your examination, Mr. Sickel, will continue.

AFTER RECESS.

At the expiration of the recess the committee assembled.

The CHAIRMAN. You may proceed.

STATEMENT OF MR. W. S. SICKEL—Continued.

Mr. SICKEL. Mr. Chairman, before this goes out of my mind, do I understand that Mr. Beck is discharged, and that he may go home?

The CHAIRMAN. Yes.

Mr. SICKEL. But, of course, he is subject to your call at any time you want him.

The CHAIRMAN. Mr. Sickel, you were present and heard the statement made by Mr. Beck this morning with reference to the Atlas service. You may just state briefly if his statement with reference to that service is correct, as you understand it.

Mr. SICKEL. It is.

The CHAIRMAN. Is there anything you care to add to his statement?

Mr. SICKEL. Not that I can think of now, but possibly during your cross-examination some thought may come to me, and I will tell you then.

The CHAIRMAN. Are there any other understandings or agreements whether in writing or not, covering the Atlas Lines than have been furnished to the committee by Mr. Beck?

Mr. SICKEL. None, that I can recall, sir.

The CHAIRMAN. Your line operates to the west coast of Africa?

Mr. SICKEL. Yes.

The CHAIRMAN. In connection with what other lines; that is, what other lines operate to the west coast and to what ports?

Mr. SICKEL. Well, as I said in my opening statement, there is the combination of German and English lines operating the service from New York to the west coast of Africa.

The CHAIRMAN. Name those lines.

Mr. SICKEL. In the German end of it is the Bremen-Africa Lines, the Woermann; in the English end of it, I can not recall all the lines, but the principal one is the Elder-Dempster—but I can supply you with the names of all of the lines that operate that service.

The CHAIRMAN. Will you supply that information to the committee?

Mr. SICKEL. Yes, sir.

The CHAIRMAN. What lines operate from New York to the west coast of Africa?

Mr. SICKEL. That combination of lines is the only line regularly.

The CHAIRMAN. From New York? Do they also operate from European points?

Mr. SICKEL. Those lines that are in this combination operate services from England and from Germany to the west coast of Africa.

The CHAIRMAN. What lines operate from New York to the west coast of Africa?

Mr. SICKEL. None but these lines in this combination

The CHAIRMAN. Are there any other lines than those you have mentioned?

Mr. SICKEL. No regular lines. Might I not put in evidence the statement that I have covered that question in my opening remarks.

The CHAIRMAN. What we want is to get the facts in detail here somewhat. You have mentioned the companies that are engaged in that trade—both from German and English ends—from New York to the west coast of Africa. But what I want you to state briefly is

under what agreements or understandings your line has with any other steamship line or lines as regards either the freight or passenger traffic to and from the United States and the west coast of Africa?

Mr. SICKEL. We have no agreements with any lines other than those with which we now are working in cooperation.

The CHAIRMAN. I understand. They, however, are the only lines that operate to the west coast of Africa?

Mr. SICKEL. That is correct. We inaugurated that service about two years ago. Before that time there was no communication except by irregular departures of tramp vessels.

The CHAIRMAN. Is there any written agreement between those lines with reference to the freight or passenger traffic to and from the United States?

Mr. SICKEL. It is all operated as one line.

The CHAIRMAN. All operated as one line——

Mr. SICKEL. That is the nearest I can express that thought to you.

The CHAIRMAN. Do you wish us to understand that these lines have been consolidated or that while they are separate entities they are operated under an agreement which makes them to all intents and purposes a unit?

Mr. SICKEL. To all intents and purposes a unit?

The CHAIRMAN. Yes.

Mr. SICKEL. Now, Mr. Chairman, if you will permit me, I think I ought to be permitted to read that part of my opening address which already covered that.

The CHAIRMAN. I do not care to have you repeat that. I am asking you a very plain question. You say they are operated as one line?

Mr. SICKEL. Absolutely.

The CHAIRMAN. Very well. What I wanted to know is, has one company bought the others out; is there a consolidation, or, while they are separate lines, are they operated under an agreement which makes them a unit?

Mr. SICKEL. They are operated under an agreement which makes them practically a unit, but I think it is only fair to bring into evidence here that this was an initial service.

The CHAIRMAN. That is in the record already.

Mr. SICKEL. And the combination running was a unit from its very inception.

The CHAIRMAN. I understand that, too. Have you a copy of the agreement between these lines governing this service?

Mr. SICKEL. I have not and have never seen it.

The CHAIRMAN. Who would have the agreement?

Mr. SICKEL. Why, that would be in Hamburg.

The CHAIRMAN. In whose possession?

Mr. SICKEL. Well, as far as our interests are concerned in it, it would be in Hamburg.

The CHAIRMAN. With some representatives of your company there?

Mr. SICKEL. Yes.

The CHAIRMAN. And who would they be?

Mr. SICKEL. They would be the directors of our company in Hamburg.

The CHAIRMAN. I presume a copy of that agreement also would be in London, would it not, with the representatives there of each line?

Mr. SICKEL. No doubt.

The CHAIRMAN. You say you have never seen it?

Mr. SICKEL. I have never seen it.

The CHAIRMAN. And have no knowledge of its contents?

Mr. SICKEL. None whatever.

The CHAIRMAN. Do these companies also operate under the same agreement in the traffic from ports on the West Coast of Africa to the United States?

Mr. SICKEL. Exactly; they do.

The CHAIRMAN. Tell the committee what provisions are contained in that agreement, as you understand it, in its practical operation. Does it include the deferred rebate provision?

Mr. SICKEL. No; not to my knowledge. I am quite sure it has no deferred rebate to it, but I will make a note of that and advise you specifically on it.

The CHAIRMAN. And does it contain a provision for pooling?

Mr. SICKEL. I can not tell you that, because I did not have the agreement. I have never seen it.

The CHAIRMAN. I supposed you might have some information on it.

Mr. SICKEL. No; I have no information.

The CHAIRMAN. Will you undertake to secure a copy of that agreement?

Mr. SICKEL. I will request our people in Hamburg for a copy of it.

The CHAIRMAN. Has your line ever undertaken trade to the south and east coast of Africa?

Mr. SICKEL. From New York?

The CHAIRMAN. Yes.

Mr. SICKEL. Not during my connection with the company, and as far as I know, never.

The CHAIRMAN. Is there any understanding or agreement between your company and those companies that do operate to the south and east coast of Africa that you will keep out of that territory and they, in turn, will keep out of the territory where you operate?

Mr. SICKEL. I can not state it positively, but I am under the impression that our company in Hamburg has an agreement with the Hansa Line, which is another German corporation, by which we will not operate steamers from the United States to the south and east coast of Africa.

The CHAIRMAN. What lines operate from New York to Genoa?

Mr. SICKEL. The Hamburg-American Line, the White Star, the North German Lloyd, the Anchor Fabre, the Lloyd Sabaud, the Navigazione Generale Italiana, the Lloyd Italia.

Dr. HUEBNER. The Sicula Americana.

Mr. SICKEL. The Sicula Americana.

Dr. HUEBNER. The Cunard Line.

Mr. SICKEL. To Trieste.

Dr. HUEBNER. The Austro-Americana.

Mr. SICKEL. Pardon me, did not the chairman say to Italy-- Genoa and Naples?

Dr. HUEBNER. Yes.

Mr. SICKEL. The Cunard operates to Trieste, which is in Austria.

Dr. HUEBNER. And it does not operate to Italy?

Mr. SICKEL. I do not think so, except possibly on their cruising trips, but not a regular line.

Dr. HUEBNER. The Austro-Americana likewise does not operate to Italy?

Mr. SICKEL. The Austro-Americana Line touches at Naples, I think, on its way to Trieste.

The CHAIRMAN. Is your company a party to any agreement or agreements or understandings with any other steamship line or lines as regards either freight or passenger traffic to or from the United States to Genoa and Naples?

Mr. SICKEL. The westbound business does not come under our jurisdiction, but I am informed there is an arrangement among the different lines serving Italy on westbound traffic.

The CHAIRMAN. Both freight and passenger traffic?

Mr. SICKEL. Both freight and passenger.

The CHAIRMAN. As to the westbound traffic, did you ever see that agreement?

Mr. SICKEL. I have never seen it.

The CHAIRMAN. Would you be able to identify it if you saw a copy?

Mr. SICKEL. No, sir; I could not identify it if I saw it.

The CHAIRMAN. But your information is that one exists?

Mr. SICKEL. Yes.

The CHAIRMAN. Is there any agreement with reference to the east-bound ports?

Mr. SICKEL. There is no written agreement; but the agents of the lines meet at irregular intervals in an attempt to agree on rates.

The CHAIRMAN. Well, do they not agree on rates; is not that true?

Mr. SICKEL. Well, sometimes a movement is made by one line to endeavor to advance the rate, and because the others feel that it should not, the advance is not made.

The CHAIRMAN. In other words, the rates are not increased except by consent, and they are not reduced except by consent of all the members?

Mr. SICKEL. That is practically so, except that there is no obligation on the part of any of those agents in respect to that tariff that may be printed.

The CHAIRMAN. You mean to say that if one or the other of the lines were to depart from that understanding there would be no legal obligation?

Mr. SICKEL. No legal—there might be something of a moral obligation.

Mr. HARDY. In other words, it is a gentleman's agreement between you?

Mr. SICKEL. A good deal in the same sense that the railroads agree on rates.

The CHAIRMAN. And on the traffic westward there is more than a gentleman's agreement; there is a written agreement between them, signed?

Mr. SICKEL. I have every reason to believe that is so.

The CHAIRMAN. Of course, I will say to Mr. Sickel that we have a copy of the Mediterranean freight traffic agreement from ports mentioned westward.

Mr. SICKEL. Yes.

The CHAIRMAN. Signed by all the lines to whom reference has been made, and setting out in detail just what the obligations of the several lines are. Is it your understanding that that agreement includes deferred rebate agreements?

Mr. SICKEL. Which agreement?

The CHAIRMAN. The one west bound?

Mr. SICKEL. I can not speak with any knowledge of that west-bound agreement; I have never seen it.

The CHAIRMAN. Would you undertake to ascertain if that is true?

Mr. SICKEL. I will ask my principals.

The CHAIRMAN. In the course of the transaction of the business in your office in freight and passenger traffic, has anything come under your observation on which you could base an opinion as to whether or not there is a deferred rebate agreement between the lines?

Mr. SICKEL. West bound?

The CHAIRMAN. Yes.

Mr. SICKEL. There is nothing in the handling of the business west-bound in our office at New York that would lead me to believe that there is.

The CHAIRMAN. If there were such an agreement as that, and deferred rebates allowed, they would be adjusted and paid either in Hamburg or in London—that is, in Europe; they would not be adjusted and paid here at any event, would they?

Mr. SICKEL. The natural place for them to be paid would be in Italy; certainly not in New York, because if a deferred rebate system exists on the westbound Italian traffic, it is with the shipper, not the consignee, and therefore the rebate would be paid to the shipper who is located in Italy.

The CHAIRMAN. Yes; it might be adjusted at the home offices in London and Hamburg, but it would be paid in Italy?

Mr. SICKEL. Yes.

The CHAIRMAN. Speaking about what has been termed a gentleman's agreement, as I understand it, that includes all the lines that have been mentioned here as included in the westbound-traffic agreement? In other words, the same lines are embraced in that traffic agreement in the eastbound business as in the westbound?

Mr. SICKEL. Mr. Chairman, my knowledge of the westbound agreement is so vague that I could not answer that question.

The CHAIRMAN. Are the six Italian lines in that arrangement?

Mr. SICKEL. You know more of that agreement than I do—west-bound.

The CHAIRMAN. No; what lines are included in this gentlemen's agreement in the eastbound traffic?

Mr. SICKEL. So far as I know, all the lines running regularly to the Mediterranean.

The CHAIRMAN. That is what I understood. That includes the Fabre Line?

Mr. SICKEL. On eastbound traffic I think they respect those rates. I am not sure; but I will make sure of that and inform you.

The CHAIRMAN. We would be glad if you would do that. Will you state whether or not you have conferences in New York—are parties to operating in this trade?

Mr. SICKEL. On eastbound traffic?

The CHAIRMAN. Yes.

Mr. SICKEL. We meet at irregular intervals to discuss rate conditions to the Mediterranean.

The CHAIRMAN. Where are the westbound rates, both passenger and freight, made?

Mr. SICKEL. I should say in Italy.

The CHAIRMAN. And where are the eastbound rates made?

Mr. SICKEL. The eastbound rates are made in New York, in the judgment of the representatives of the lines, without any dictation from abroad as to what the rates shall be.

The CHAIRMAN. They are made on this side?

Mr. SICKEL. Yes.

The CHAIRMAN. Does your line operate to any other Mediterranean ports than Genoa and Naples?

Mr. SICKEL. From New York?

The CHAIRMAN. Yes.

Mr. SICKEL. Or from the United States?

The CHAIRMAN. Yes.

Mr. SICKEL. No other ports in Italy.

The CHAIRMAN. In the Mediterranean?

Mr. SICKEL. Occasionally steamers may go into the Sicilian ports, but only at rare intervals.

The CHAIRMAN. Is there any agreement between your line, the Cunard Line, and the Austro-Americana Line that you will not touch at the same ports that they touch?

Mr. SICKEL. Not to my knowledge.

The CHAIRMAN. Who would have knowledge of that fact, if it is a fact?

Mr. SICKEL. Our principals in Hamburg.

The CHAIRMAN. Would you mind asking them what the facts are in that regard?

Mr. SICKEL. I will do so. Will you repeat, please, what the three lines were?

The CHAIRMAN. The Cunard Line, the Austro-Americana, and your line is the third.

Mr. SICKEL. Do you not want to include the North German Lloyd in it? They are a prominent factor.

The CHAIRMAN. All right. You may tell the committee, if you will, if there is any agreement between your line and the French Line that you will keep out of the French-Mediterranean ports?

Mr. SICKEL. Which you mean to be Marseille and Bordeaux?

The CHAIRMAN. Yes.

Mr. SICKEL. I know of no such agreement.

The CHAIRMAN. At what ports in Europe does your line touch from New York?

Mr. SICKEL. Hamburg, Genoa, and Naples.

The CHAIRMAN. What points in Europe does the North German Lloyd touch?

Mr. SICKEL. Bremen, Genoa, and Naples.

The CHAIRMAN. What line touches the ports in Holland?

Mr. SICKEL. From where?

The CHAIRMAN. Anywhere.

Mr. SICKEL. The Holland-American Line and the Uranium Steamship Co.

The CHAIRMAN. Those are both Dutch lines, are they not?

Mr. SICKEL. No.

The CHAIRMAN. The Uranium—what is that?

Mr. SICKEL. The *Uranium* is under the English flag, controlled by Canadians.

The CHAIRMAN. Do you call it a Canadian line?

Mr. SICKEL. Mr. Chairman, will you permit me to make a remark in line with your interrogations? You asked me only from New York. There are many ports in the United States from which there are services, and if you wish a comprehensive idea of the services to the different foreign ports you should ask me the question of what the lines are from the other ports.

The CHAIRMAN. I desired to find out the service by your line.

Mr. SICKEL. Yes; but you were asking me Rotterdam, in which we have no interest.

The CHAIRMAN. I am asking you what other lines enter Rotterdam.

Mr. SICKEL. But you asked me from New York——

The CHAIRMAN. Yes.

Mr. SICKEL. Which information I have given you. But you have not asked me for a complete picture of the Rotterdam situation with the United States.

The CHAIRMAN. Well, you can give us the picture and the facts.

Mr. HARDY. In other words, the witness means to suggest that there are other ports in the United States which have lines in connection with Rotterdam besides New York.

Mr. SICKEL. Exactly.

Mr. HARDY. Other companies engaged in it that do not run to New York, but do run to ports of the United States.

Mr. SICKEL. Yes; that is the point that I wished to develop here, because if you are developing just the Rotterdam situation we want the whole thing before us.

The CHAIRMAN. Here is the point that I have in mind: I will say to you very frankly what I have in mind is this: The ports in Europe, for instance, Hamburg, is reserved exclusively to the Hamburg-American Line; the port of Bremen for the North German Lloyd Line; in Holland to the Dutch Line, and the ports in Great Britain to the British lines. That was the thought that I had in mind, and that I was undertaking to develop. Is not that the fact?

Mr. SICKEL. I have absolutely no information which confirms what you say.

The CHAIRMAN. I understood, in a general way, that was what Mr. Gottheil said when he was on the stand.

Dr. HUEBNER. No; he did not say that.

The CHAIRMAN. He was talking about the facts. I am not talking about whether or not there was any design in it. But you say your company trades to Hamburg, and what lines trade to Bremen?

Mr. SICKEL. Where from?

The CHAIRMAN. New York—the United States.

Mr. SICKEL. Ah, that is the point that I have been trying to make. You say "United States" now. Shall I take Hamburg first?

The CHAIRMAN. Yes; Hamburg first. Go ahead and take it from the United States, if you prefer that more comprehensive term.

Mr. SICKEL. Yes; I think so. To the port of Hamburg from the United States there operates the Hamburg-American Line, the Holland-American Line occasionally from Savannah, Strachan & Co.

from Savannah load steamers to Hamburg, the Gans Steamship Line from south Atlantic and Gulf ports, the Vogemann Line from south Atlantic and Gulf ports to Hamburg, Langbehn Bros. from Galveston and Port Arthur, the South Atlantic Steamship Co. from New Orleans to Hamburg, Wilkinson-Beale from Galveston to Hamburg, the Mobile Liners Co. occasional steamers to Hamburg, and there is a cotton-seed meal exporter located at Port Arthur, Tex., who has recently established a line of his own to Hamburg. Those are the people that are engaged in the Hamburg trade as far as I can recollect it.

While we are not in the Rotterdam trade, as near as I can recall the lines operating from the United States to Rotterdam, they are as follows: Holland-American Line from New York, Boston, Philadelphia, Newport News, Savannah, and New Orleans; the Cosmopolitan Line from Philadelphia, the Uranium Steamship Line from New York, Strachan & Co. from the South Atlantic ports, Gans from the South Atlantic and Gulf ports, and Vogemann from the South Atlantic and Gulf ports. I am quite sure there are others but I can not recall them at the moment.

The CHAIRMAN. I will pursue my inquiry as I began. I understood you to say that no other line than the Hamburg-American operates from New York to Hamburg?

Mr. SICKEL. That is correct.

The CHAIRMAN. What lines operate from Montreal to Hamburg?

Mr. SICKEL. The Canada Line.

The CHAIRMAN. The Uranium Line—is that it?

Mr. SICKEL. No; the Canada Line from Montreal to Hamburg.

The CHAIRMAN. And what lines operate from Boston to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Philadelphia to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Baltimore to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. What line operates from Newport News and Norfolk to Hamburg?

Mr. SICKEL. The Hamburg-American only.

The CHAIRMAN. And from Savannah to Hamburg?

Mr. SICKEL. The Hamburg-American, Strachan, Gans, and occasionally the Holland-American Line.

The CHAIRMAN. What lines operate from New Orleans to Hamburg?

Mr. SICKEL. The Hamburg-American, Vogemann, occasionally Gans, and up to a recent date the South Atlantic Steamship Co.

The CHAIRMAN. What lines operate from Galveston to Hamburg?

Mr. SICKEL. The Hamburg-American Line and Wilkinson-Beale & Co.

The CHAIRMAN. These others you mentioned are what you would ordinarily call tramp carriers? They have no regular service, have they?

Mr. SICKEL. To which line do you refer?

The CHAIRMAN. Other than the Hamburg-American.

Mr. SICKEL. Most all of the lines running to Hamburg from the United States in competition with us are by what we call loading brokers, who charter steamers and operate them under a line name. Very few of our competitors own steamers.

The CHAIRMAN. They have no regular service?

Mr. SICKEL. Not regular; but frequent.

Mr. HARDY. Do you mean that to apply to all the ports of the United States as well as New York, that these other lines are of the character of which you speak?

Mr. SICKEL. Do you mean to ports other than Hamburg?

Mr. HARDY. No. You said all the lines in competition with you between the United States and Hamburg were of this irregular kind. Do you mean that to apply to the other ports as well as to New York?

Mr. SICKEL. There are no lines from New York in competition with us. That is, to the port of Hamburg.

Mr. HARDY. That is what I am talking about. The only lines then between the port of Hamburg and the United States, either New York or elsewhere, are your line and irregular service by other lines between some of the ports of the United States and Hamburg?

Mr. SICKEL. Not from Europe, but to Europe.

Mr. HARDY. These ships that come from Savannah, New Orleans, and Galveston, going to Europe, to Hamburg, do they not come back from Hamburg to those ports?

Mr. SICKEL. No; not as a rule.

Mr. HARDY. There is no back-and-forth line except yours?

Mr. SICKEL. Operating in both directions ours is practically the only one. The reason for that—do you wish to know the reason for it?

The CHAIRMAN. Yes; I was going to ask why it was there were no other regular lines like, for instance, the North German Lloyd or the White Star Line, or the Cunard Line operating from Boston, New York, Philadelphia, Baltimore, or Newport News to Hamburg?

Mr. SICKEL. To Hamburg only you are talking about now, are you not?

The CHAIRMAN. I am talking about Hamburg.

Mr. SICKEL. We operate from New York and Philadelphia what we call a combination steamer. That is, freight and passenger. We can operate those steamers for freight more economically and cheaper than a freight ship. That is, we can afford to carry the freight on a combination steamer cheaper than we could on a freight steamer, and an ordinary freight steamer can not compete with us in that section of the United States—what we call the North Atlantic. You will notice from my previous statement that in the South Atlantic and in the Gulf we have our competition, and severe competition. That is because we operate from those ports a strictly freight steamer. I gave you in my opening address the statement that last winter there was an overflow of freight, so that we had to charter steamers. We operated practically all of those chartered steamers at a very bad loss, showing that the price for tonnage was such that our rates were lower than the tramp was willing to accept the freight for. That is an explanation of why we have no competition in the North Atlantic, but we have competition in the South Atlantic and the Gulf.

The CHAIRMAN. Is that the only explanation? Is your type of steamer any different from those of the North German Lloyd in the European trade?

Mr. SICKEL. The Hamburg-American Line is 65 years old. They started to build up a trade between New York and Hamburg. The North German Lloyd is also a very old company, but not quite as old as ours. They began their operations from Bremen. Each has developed its own particular port. We belong to Hamburg and the North German Lloyd belong to Bremen. There is great rivalry between the two ports, and naturally we would want to develop our port rather than to go in and develop the port of our neighbor who is our rival.

The CHAIRMAN. What I am getting at is simply this: Is there any understanding or agreement between your line and the North German Lloyd Line by which the Hamburg-American will keep out of Bremen if the North German Lloyd will keep out of Hamburg?

Mr. SICKEL. There is such an agreement as far as certain ports are concerned—certain American ports.

The CHAIRMAN. What ports are those?

Mr. SICKEL. That covers north of Savannah, but from Savannah south we are free to load steamers for Bremen as they would be free to load steamers for Hamburg.

Mr. HARDY. Then, in the cotton trade from Galveston, for instance, either line could load for the other city?

Mr. SICKEL. We could load to Bremen.

Mr. HARDY. And they to Hamburg?

Mr. SICKEL. Yes.

The CHAIRMAN. Now, how many companies are involved or are parties to that agreement?

Mr. SICKEL. Only the two.

The CHAIRMAN. Are any of the British companies parties to that agreement?

Mr. SICKEL. Not to my knowledge; I have never heard of their being parties to any such agreement.

The CHAIRMAN. How does it happen, then, if it is a coincidence, that the Hamburg-American does not enter any ports of Holland or ports in France or ports in England?

Mr. SICKEL. I can only answer that question in a negative way by stating that I know of no agreement that would prevent any one of those lines going into the port of another other than the agreement, as I have just stated, regarding the two German lines. But I think the whole thing has been a natural evolution. If we had surplus tonnage that we wanted to use, there would be no inducement for us to go into Liverpool. We have many ports of our own that need developing. We would develop our own trade.

Mr. HARDY. In other words, you would not go out and hunt a strong man to tackle?

Mr. SICKEL. That may be another reason. Besides, if you are looking for new fields to develop, maybe fields that are already covered, it is done in a time of depression, and we would not benefit ourselves very much in the time of depression in running steamers to Liverpool.

The CHAIRMAN. Is not the reason suggested by Judge Hardy the true one—I do not say it is the only one—that each of these lines is

strongly intrenched in its own territory, and there is, to say the least of it, a gentleman's understanding and agreement between you that if you keep out of their ports they will keep out of Hamburg?

Mr. SICKEL. I have never heard of such an agreement, but I think maybe Judge Hardy has the right idea. You do not want to buck somebody who is already well intrenched, but there is no agreement to my knowledge.

Mr. HARDY. Ordinarily you do not need any agreement to enforce that condition.

Mr. Post. How long has this agreement between the Hamburg-American and the North German Lloyd been in existence?

Mr. SICKEL. I can not recall that.

The CHAIRMAN. Now, in the N. D. L. V. passenger agreement, to which contract the Hamburg-American and the Holland-American Lines, the North German Lloyd Line, and the Red Star Line were the signatories, there appears a trade agreement in articles 31 and 32, as follows: Article 31 provides, "All the lines bind themselves that their vessels in the trade with the United States of North America and Canada shall not call, either outward or inward, at any home or adjacent ports from or to which the vessels of any of the other lines are already sailing."

Now, do you know whether or not that agreement is still in force? I will say to you frankly we have a copy of that agreement.

Mr. SICKEL. You have it, and I have never seen it.

The CHAIRMAN. But what we want to know is whether it is still in force.

Mr. SICKEL. I can not tell you that, because I do not know. But will you please recollect that that is with regard to passenger business—at least, I so believe it to be—while I am discussing freight.

The CHAIRMAN. Article 31 provides that by the words "in the trade," as those words appear in the agreement, it is understood among the continental lines as passenger, mail, and freight.

Mr. SICKEL. This is the first time I have ever known such a thing existed, but that is very natural, because passenger business is not my jurisdiction.

The CHAIRMAN. You may state whether or not from the port of Boston to Hamburg has been set apart to the Hamburg-American Line by agreement with the North German Lloyd or any other line or lines.

Mr. SICKEL. I know of no agreement to that effect.

The CHAIRMAN. Is there any understanding?

Mr. SICKEL. No understanding.

The CHAIRMAN. Either in writing or verbally, to that effect.

Mr. SICKEL. As a matter of fact, I can not believe any agreement exists among the large lines who are members of that passenger agreement to the effect that they can not come into Boston—that those who are not there now can not come into the port—because within the last two or three years the Holland-American line established a service from Rotterdam to Boston which was really detrimental to our interests.

The CHAIRMAN. How long was that service continued?

Mr. SICKEL. How long was it continued?

The CHAIRMAN. Yes.

Mr. SICKEL. I should think they have been in there three or possibly four years.

The CHAIRMAN. They are in there now?

Mr. SICKEL. They are in there now. That is a freight service.

Mr. HARDY. That was a line from Boston to Rotterdam?

Mr. SICKEL. Rotterdam to Boston. Then that line loads its east-bound freight, its export freight, at Boston, and goes to Philadelphia to conclude its loading, and then home to Rotterdam. I make the statement that the entry of the Rotterdam line into the Boston trade is very much in competition with us, although they are serving Rotterdam and we are serving Hamburg, for the reason that most of the business that goes to Europe goes to the interior, and the different gateways, such as Hamburg, Rotterdam, Bremen, and Antwerp, are all in competition with each other, and we have no agreement on eastbound freights among those lines.

Mr. HARDY. The agreement you have, however, is for the North German Lloyd not to engage in transportation from any port on the United States coast north of Savannah?

Mr. SICKEL. North of Savannah?

Mr. HARDY. North of Savannah—between Hamburg and those ports?

Mr. SICKEL. Hamburg and those ports.

Mr. HARDY. But the North German Lloyd holds you to a similar agreement not to engage in any trade between Rotterdam and those ports, doesn't it?

Mr. SICKEL. Bremen, you mean?

Mr. HARDY. Between Bremen and those ports north of Savannah, Ga.? In other words, the agreement is mutual?

Mr. SICKEL. The agreement is reciprocal.

Mr. HARDY. Yes.

Mr. SICKEL. That is, in these ports north of Savannah we shall not go to Bremen, and in a similar manner they shall not go to Hamburg. But that does not make us cease to compete on our freight, because all of the freight that goes to Bremen is not consumed in Bremen, and that freight that goes to Hamburg is not consumed in Hamburg. Those two ports are mere gateways to the interior.

Mr. HARDY. I see the point you are making—that both these lines can come into New York or Boston to take goods back to their respective ports?

Mr. SICKEL. Yes.

The CHAIRMAN. To be distributed from those points?

Mr. HARDY. To the interior points?

Mr. SICKEL. That is quite so, but they are still in competition and in severe competition, because the goods are destined for the interior, and any low rate made by the North German Lloyd to a point in the interior via their gateway, which is Bremen, has a depressing effect upon our rate via Hamburg to the same interior part of Europe.

Mr. HARDY. That is the point. I do not know whether you read it or not, but Mr. Gottheil testified very strongly and very forcibly as to competition going to the territory supplied by the two gateways that made competition between the two lines.

Mr. SICKEL. Oh, we have no understanding between us on that business.

Mr. HARDY. As to what your rates shall be?

Mr. SICKEL. As to what our rates shall be.

Mr. HARDY. There is no understanding, then, that the rate from New York to Hamburg and the rate from New York to Bremen shall bear any articular relation to each other?

Mr. SICKEL. None whatever.

The CHAIRMAN. You mean to say that the rate from New York to Hamburg on the same commodity is not the same as the rate from New York to Bremen?

Mr. SICKEL. Very rarely are they the same. As a rule, Bremen takes a cheaper rate than Hamburg.

The CHAIRMAN. And do I understand you also to say that the rate from New York to an interior point in Germany, via Hamburg, is not the same as the rate from New York to the same point via Bremen?

Mr. SICKEL. Sometimes they are and sometimes they are not, dependent upon whether or not one wishes to meet the competition of the other. Let me cite a case: Suppose the rate by the North German Lloyd via Bremen to Berlin on sewing machines was 50 cents a hundred pounds, we will say. Our combination via Hamburg would make a rate of 60 cents per 100 pounds; that is, the rail rate from Hamburg to Berlin, added to our ocean rate on the sewing machines, would make 60 cents per 100 pounds.

We know the rate existing by the North German Lloyd. If we want the business, we reduce our rate to 50 cents. Often a reduction of that kind would make our ocean rate so low that we would prefer to let the North German Lloyd have the cargo.

The CHAIRMAN. What I understand you to say is that you have no joint rates, the North German Lloyd and the Hamburg American, through your several gateways to the principal interior points in Europe.

Mr. SICKEL. Yes.

Mr. HARDY. He said to Berlin.

The CHAIRMAN. Berlin is only one.

Mr. SICKEL. That statement is correct, that we have no agreement with the North German Lloyd, that their rates on certain articles to Bremen shall be the same as our rates to Hamburg on the same commodities.

The CHAIRMAN. From——

Mr. SICKEL. From New York, or from any north Atlantic port that we are mutually serving.

The CHAIRMAN. But each line, yours from New York to Hamburg and the North German Lloyd to Bremen, fixes its own rate?

Mr. SICKEL. Without regard to the other.

The CHAIRMAN. And I believe, as some witness testified, such a rate as the traffic will bear. Now there is no competition, in other words, in the rate from New York to Hamburg?

Mr. SICKEL. Quite correct.

The CHAIRMAN. Nor from New York to Bremen?

Mr. SICKEL. Quite correct.

The CHAIRMAN. Or Amsterdam?

No answer.

Mr. HARDY. Does it not occur to you that if the rates to Hamburg are generally higher than those to Bremen from New York that it will result in giving Bremen an advantage over Hamburg in the New York trade?

Mr. SICKEL. The reason for the analogy is this, that Hamburg serves a more northern country than Bremen. Every point is not competitive through the two gateways; many are. We serve a denser territory, a more prolific territory, than the North German Lloyd.

Mr. HARDY. The territory that you mainly serve through Hamburg, then, is not in competition with Bremen?

Mr. SICKEL. A great many are not, and many are.

Mr. HARDY. I used the word "mainly."

Mr. SICKEL. Might I not make that plain to you by reversing the thing? Boston, New York, Philadelphia, Newport News, and New Orleans are all competitive gateways on west-bound business for goods moving to our central west, say the Mississippi Valley; but if a man wanted to ship to a point in the northern part of Louisiana, he would naturally select New Orleans, he would not select Boston. But when you come more to the center the more all of those American or United States gateways compete with each other. Now, the principle on the business to Europe is not dissimilar. Does my simile make that clear to you, sir?

Mr. HARDY. I think you make it clear; you do to me, at least.

Mr. SICKEL. Yes. But we have no agreement with the Lloyd as to what their rate shall be to Bremen; nor have we any agreement with the Red Star Line serving Antwerp as to what their rate shall be.

Mr. HARDY. Still, what I said is evidently true, that if the rates to Bremen are much cheaper than the rates to Hamburg, as to the territory which is competitive between those two cities for which both of them are seeking the trade, that will give Bremen the benefit of the wider circle, will it not?

Mr. SICKEL. The whole thing is governed largely by the law of supply and demand. I said generally the Bremen rates are cheaper. I have seen many times when they are higher than the others.

Mr. HARDY. It was on that word I was basing my question. I say "generally" cheaper.

Mr. SICKEL. Generally; yes. But if you will permit me to conclude that: Bremen is a very large cotton market, which is not true of Hamburg, and when cotton is moving very frequently the rates of the North German Lloyd are apt to be as high and many times are higher than ours. As a matter of fact, Bremen comes a little more in competition with the gateways of Rotterdam and Antwerp than it does with Hamburg, just as goods coming into this country through the gateways of Boston and Baltimore and the intermediate coast cities would be more in direct competition than they would be with the gateway of New Orleans, although you come to a certain central part of the country where they all come in competition.

The CHAIRMAN. But you take the competitive points in Europe in regard now to eastbound traffic. Are not the rates the same whether you go through the gateway of Bremen or Hamburg from New York?

Mr. SICKEL. Most decidedly no. They will differ very materially; that is, the rate through from New York to that interior point of Europe.

The CHAIRMAN. That is, I mean a competitive point in Europe?

Mr. SICKEL. I am talking about a competitive point.

The CHAIRMAN. Berlin would be a competitive point, would it not?

Mr. SICKEL. Berlin would be a competitive point from Hamburg, Bremen, Antwerp, and Rotterdam.

The CHAIRMAN. Do they operate on a differential system?

Mr. SICKEL. I do not understand your question.

The CHAIRMAN. Do they operate on a differential system?

Mr. SICKEL. You have merely repeated the question, Mr. Chairman. I do not understand what you mean.

The CHAIRMAN. Is there an agreement between you by which one line may charge a greater or a less rate to the competitive point?

Mr. SICKEL. None whatever.

There are absolutely no agreements among the four prominent continental lines as to what rates each shall name to his individual port.

The CHAIRMAN. Then, if you find the other line making a cheaper rate to Berlin and it is traffic which you desire to control or share in, you meet that rate, do you?

Mr. SICKEL. If it is a fairly remunerative rate and we need the cargo, we would; otherwise, we would let it go to the other man.

Mr. HARDY. Practically, do you not get nearly the same rate to Berlin over those several different routes from New York?

Mr. SICKEL. Not from New York. The railroad——

Mr. HARDY (interposing). I do not mean by the railroad; I mean goods shipped from New York to Berlin get practically the same rate whether they go by your line or by the North German Lloyd or Rotterdam routing or Antwerp, will they not?

Mr. SICKEL. No, sir; that is not so.

Mr. HARDY. If they do not, why do they not all go by the cheapest route by one of you; all of the goods to Berlin, for instance, from New York?

Mr. SICKEL. Let me take my sewing machines as an example again.

Mr. HARDY. Yes; I want to know if a man has 500 sewing machines and finds he can get them to Berlin a little cheaper by the North German Lloyd than by the Hamburg-American, will he not send them by the North German Lloyd?

Mr. SICKEL. Very naturally, but our soliciting forces know what the rate is of the North German Lloyd; they can figure it out very easily, and from Hamburg we have to pay maybe in some cases to Berlin a higher rate than the Bremen Line does from Bremen.

Mr. HARDY. That is your interior rate?

Mr. SICKEL. Our interior rate. If we need cargo we would shrink our ocean proportion so as to enable us to meet the competition through.

Mr. HARDY. That is getting to the very point I am making. Do you not make the rates the same?

Mr. SICKEL. No; only when the cargo is desirable to us; but there are lots of times when we can get other cargo that pays us better than this rate on sewing machines to Berlin, so we will let them have it. We then do not attempt to compete.

Mr. HARDY. As a matter of practice, do you generally make your rates so as to give you the same through rate?

Mr. SICKEL. I would say, as a matter of practice, we do not.

Mr. HARDY. Then, as a matter of practice, most of the freight from New York to Berlin must go via Bremen, as that is the cheapest rate?

Mr. SICKEL. Of course, I stated in this simile of the sewing machines, I do not know whether the figures or the competition, as mentioned by me, is absolutely as I have stated. I am merely drawing a comparison of how for goods to the interior one port can be out of line with the other, because they have no understanding between them.

Mr. HARDY. I am getting at the same point, perhaps, that you are, except that it seems to me that to reach a definite conclusion a merchant looking after his own interest, if you did not in the main and generally meet the prices so as to get your goods to Berlin via your route as cheap as they went via the North German Lloyd, that in the main the North German Lloyd would carry the Berlin consignments from New York. That would be a matter of natural consequence, would it not?

Mr. SICKEL. Maybe I can make this clear to you by giving you an incident that occurs with me every few days. The man who has charge of our through freight department will come to me and say, "Mr. Sickel, the North German Lloyd is naming a rate of 50 cents per 100 pounds on sewing machines from New York to Berlin." Our combination of our rate and the rail rate makes 60 cents. In order to meet that competition it would be necessary to make the same rate; that means that we shrink our ocean rate 10 cents per hundred thousand.

Mr. HARDY. I understand that explanation you gave a moment ago.

Mr. SICKEL. Pardon me just a moment. Well, I will say to my man: "Do you think that under the general conditions of our business, that we are justified in cutting our rate to meet this competition? Are not our steamers running full with other cargo that pays you more money than taking these sewing machines at this figure?" He will have to admit, yes. Then I say: "We will not meet the rate." In the reverse sometimes I will ask him the question: "Is the condition of the business and the rates being paid us on other classes of cargo so good that we can afford to refuse this?" And he will say, "No; our offerings of cargo are not very large." Then I will say: "Meet them," and we are doing this without any understanding with our competitor.

Mr. HARDY. Now we understand each other this far; I know, I understand it that far with you. The question I asked was, as a general thing do you meet the competition or as a general thing do you decline to meet it? What is your practice?

Mr. SICKEL. Mr. Hardy, I can not answer that question yes or no, because a lot of times we do, and a lot of times we do not. It depends very largely on the condition of the business.

Mr. HARDY. But can you not say what generally is the case, whether you most generally or most frequently do meet it or do not meet it?

Mr. SICKEL. To answer that truthfully I would have to go over my records, don't you know, to see, because the conversation, such as I have repeated to you that occurred between the men serving under me, are occurring every few days, and I can not recollect how many times I have told them to meet it and how many times I have told them not to meet it.

Mr. HARDY. What I was getting at was just simply to know whether as a matter of practice a merchant would be wise to inquire the through-rate prices of more than one line, or whether he would be justified in just taking the first line that comes and getting its rate?

Mr. SICKEL. Oh, he searches every line, from the German Baltic to the French border, to find which line is the cheapest.

Mr. HARDY. And the main point is, his search is worth while, is it?

Mr. SICKEL. Why, certainly.

Mr. HARDY. It pays him to do it, does it?

Mr. SICKEL. He finds that to-day maybe we are the cheap line and when he comes a month hence he will find we are the high line.

Mr. HARDY. That is the condition I want to find—if it was true that a merchant was really earning his salt when he went around trying to find the cheap line.

Mr. SICKEL. That is the condition of the fact. That does mean real competition, it seems to me. We think we have terrible competition.

Mr. HARDY. I am trying to work it out, but I was afraid the competition was going to vanish when we got into that territory.

Mr. SICKEL. No; it does not. Now, because we were having freight offering to us a little more freely to Hamburg some year or so ago than was offering to the other continental gateways we decided to put up our rates on lard, of which there is a large movement to the Continent of Europe, without regard to the fact that no advance had been made by the lines serving the other gateways. We seemed to get plenty of lard at the higher rate, and I presume those rates had been in effect probably a year when one of the large importers in Hamburg went to our people with a statement showing how, on the old basis of rate, as compared with Antwerp and Rotterdam, the port of Hamburg had gotten—the port of Hamburg as a gateway had gotten—a certain percentage of the business, but because I had advanced this rate to Hamburg I had caused much business to move via the Antwerp and Rotterdam gateways, of which I was unconscious.

Mr. HARDY. In other words, he showed that his territory had been circumscribed by your high rates?

Mr. SICKEL. I had gotten my rates so much over parity of the other gateways that I was forcing the business to the other gateways and I did not know it. Now, that is business not sold at a through rate from New York to the interior, but is sold, delivered locally, to the different continental gateways.

Mr. HARDY. That is the port-to-port sale?

Mr. SICKEL. The port-to-port sale; yes.

Mr. HARDY. They distribute from the receiving port?

Mr. SICKEL. And the man who purchases distributes it himself. Just in the reverse on the west-bound business; a man in Chicago does not necessarily buy his goods delivered in Chicago; he may buy them delivered in Boston, New York, or New Orleans. He studies those interior rail rates out himself.

Mr. HARDY. In other words, a good business man keeps his eyes open, does he not?

Mr. SICKEL. Well, he ought to.

Mr. Post. If he does not he will not be in business very long.

The CHAIRMAN. Is there any agreement between your lines as to minimum rates?

Mr. SICKEL. Do you mean—I want to be perfectly clear just what your question is. Do you mean that we will agree with the North German Lloyd what their minimum rate shall be to Bremen and ours to Hamburg—that they shall be the same?

The CHAIRMAN. Yes.

Mr. SICKEL. And likewise with the other continental ports?

The CHAIRMAN. Yes.

Mr. SICKEL. There is no such agreement.

The CHAIRMAN. Is there any agreement between you that there is a certain rate below which neither of the lines will bid for traffic, neither to these gateways nor to any interior points in Europe?

Mr. SICKEL. We have no such agreement.

The CHAIRMAN. I have heard it said recently that the Holland-American and the Austrian-American Lines have been taken over and are now owned by the Hamburg-American Line. What do you know about that?

Mr. SICKEL. The information I give you on that is extremely vague, because I do not know. I know only by rumor.

The CHAIRMAN. What is that?

Mr. SICKEL. What is that rumor?

The CHAIRMAN. Yes.

Mr. SICKEL. It is that the North German Lloyd, the Hamburg-American, and the International Mercantile Marine Co. own 51 per cent of the stock of the Holland-America Line.

The CHAIRMAN. Those lines jointly?

Mr. SICKEL. Those lines jointly; yes.

The CHAIRMAN. Well, what do you say with reference to the Austro-Americana?

Mr. SICKEL. My information on that is more vague than it is on the Holland lines, but I believe at one time our principals had a financial interest in the Austro-American Line, but that it was afterwards canceled and some arrangement made by which they paid each other a small sum of money in lieu of the interest that might be earned on the investment. Now, I wish to make it perfectly clear to you, gentlemen, that that is simply rumor, and I have never had anything authentic to base that upon.

The CHAIRMAN. Mr. Sickel, you expected to stay over until to-morrow, anyhow?

Mr. SICKEL. I am subject to your orders.

The CHAIRMAN. I understood you to say you had permission to come here and stay?

Mr. SICKEL. Yes.

The CHAIRMAN. Very well, then, we will now adjourn until to-morrow morning at 10.30 o'clock.

Thereupon, at 3.50 o'clock p. m., the committee stood adjourned until to-morrow, January 23, 1913, at 10 o'clock a. m.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 23, 1913

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WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

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HOUSE OF REPRESENTATIVES.

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Thursday, January 23, 1913.

The committee met at 10.45 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Ayres, Thayer, Stone, Post, Faison, Humphrey, and Stevens.

The CHAIRMAN. Mr. Sickel was requested to appear again this morning, but I am informed he received a message yesterday evening that his child had been severely injured and he was compelled to go home. He will appear at any time hereafter that may suit the convenience of the committee.

I desire to place in the record a communication from Mr. J. J. Slechta, general agent of the Lloyd Brasileiro, of date January 9, 1913.

The communication referred to was marked "Exhibit No. 60," January 23, 1913, and is as follows:

EXHIBIT No. 60.

LLOYD BRAZILEIRO, *New York, January 9, 1913.*

HON. J. W. ALEXANDER,

Room 279, House Office Building, Washington, D. C.

DEAR SIR: While in the committee room on Tuesday in response to an inquiry from a member of your committee I agreed to furnish a list of proposed sailings from Rio de Janeiro and Santos to New York. I regret that from the available data it is impossible for me to make this complete. The very fact that such is the case pretty thoroughly establishes the fallacy of contentions which were made by witnesses before the committee to the effect that Lloyd Brasileiro steamers were avoided for the reason that vessels of the other lines alone supplied regular sailings. If such were the case, their sailing dates would be known in New York. I would suggest that New York agents of the conference lines who are called before the committee be asked when on the stand to give lists of sailings to New York and New Orleans and then asked to say how long after those dates their vessels would probably sail.

The only vessels sailing on a regular schedule to the United States are the so-called mail boats of Lamport & Holt, whose advertised sailings appear in the inclosed clipping, marked "No. 1." As for the sailings of Lamport & Holt freight vessels—which, as I told the committee, carry most of the coffee taken by that line—and the vessels of the Prince Line and the Hamburg-South American Line they sail on no more regular schedules than do those of our line. Of course their aggregate sailings are more numerous than ours, but we have as many sailings as any of the three lines forming the conference, outside of Lamport & Holt mail boats. I mean, of course, sailings to New York only. In proof of that statement please note list of our intended sailings during the next few weeks. The first two named vessels are already in Brazilian ports, the next two are on their way there from New York, the next is loading in this harbor, and the last two named are en route to New York from Brazil, both in ballast:

Christian Knudsen, ready to load at Santos, January 10.

Tocantins, ready to load at Santos, January 25.

Omeric, ready to load at Santos, February 12.

River Clyde, ready to load at Santos, February 26.

Tweeddale, ready to load at Santos March 15.

Purus, ready to load at Santos March 27.

Tapajoz, ready to load at Santos April 8.

A steamer, ready to load at Santos April 24.

The actual detention of these steamers in the port of Santos will depend upon the amount of cargo which they take on for New York, at the end of which time they proceed to Rio de Janeiro, if any cargo is reported as offering, and after taking such cargo proceed to New York.

The force of all this is principally to show that the excuse given on the stand by Mr. Purcell for not giving us cargo was not the real reason—that is, that our company could not provide sufficiently frequent sailings to take care of their business. We could take every bag they have to offer and deliver it with satisfaction to all of their customers, since we are in a position to issue bills of lading on coffee during first and second halves of each month.

Allow me further to suggest that there is another very potent reason for all coffee importers to make use of the rebate. Such firms as Hard Rand & Co. buy coffee very largely on commission for interior roasters. They charge them for the net cost plus gross freight plus their commission, and when the rebate is paid they presumably pocket the same as a net profit over and above commissions. Personally I have no doubt that this aggregate rebate is sufficient to pay all or most of their operating expenses in conducting this purely commission business. Would it not be advisable to summon Mr. Isreal, say, of the firm of Leon Isreal & Co., Wall Street, and Mr. Arndt, another employee of Hard Rand & Co.?

With reference to the operation of a general syndicate of interests in the Atlantic Ocean transportation business, a recent development will be of interest to your committee. We have sent vessels whenever sufficient cargo offered to the ports of Parahyba, Natal, Pernambuco, and Maceio, in Brazil, in addition to our regular service, thus providing an inlet for American manufactures into the first two named ports, where the only other competition is that of the Harrison Line from Great Britain. Heretofore these ports have not been touched by the Booth Line. It happens that as a result of the general situation vessels which we have sent to the ports named, usually once in six weeks, are the only ones which we can operate profitably. Evidently our competitors have become cognizant of this situation, and if reports which we have obtained through our friends are to be relied upon the powers that be in Liverpool have prevailed upon the Booth Line as parties to the so-called "gentlemen's agreement" to carry out the full letter of their obligations to take care of northern Brazil ports and the Booth Line is now advertising a sailing for the two first-named ports.

Would it not be advisable to call Mr. Sanford, agent in New York for the Booth Line? Have him tell, among other things, why and upon whose instructions he is sending a vessel to those ports? Also, he ought to be able to say how rates from New York to the Amazon compare with those from Liverpool to the same ports.

I feel that I should not be doing my duty as an American citizen without attempting to more fully reply to the question asked of me on the stand as to the remedy for the present situation, regardless of any interest my company may have in the issue. I wish to do that because I feel that I appeared at somewhat of a disadvantage in making statement along that line Tuesday, since I did not expect to give such an opinion at that time.

First of all, permit me to express my conviction that any remedy which is an efficient one must be constructive and not merely a palliative. It is my firm conviction, after a study of American interests involved covering the last six years, that any attempt to extend the application of our legislation to foreign-owned ocean transportation mediums beyond our immediate borders will work irreparable harm to American commerce. We should be merely cutting off our noses to spite our faces, since we should drive foreign tonnage from our ports to other parts of the world.

I mean no discourtesy when I say that the responsibility for the present distressing situation rests unmistakably upon our Congress and through it upon our people. We have for more than half a century allowed considerations for the shipbuilding industry and for the welfare of merchant seamen who do not exist to outweigh a thousand-fold more important considerations for the de-

velopment of our foreign commerce and through its influence for the proper development of our natural resources and our domestic commerce.

Let Congress wipe the statute books clear of all incumbrances to the development of a merchant marine. Let our investors purchase their vessels, or build them, if they wish, in the open competitive markets of the world. Let these vessels be manned by the cheap and efficient labor of the East Indies and China, as are many of those in the merchant marine of the other nations, particularly Great Britain. Highly efficient officers can readily be obtained who will adopt American citizenship, if they are not already citizens, and the extra pay we should have to pay them would be easily counterbalanced by the cheapness of the crews and by other considerations. Such a merchant marine can compete unaided with foreign companies. Our authority to control American owned and registered vessels would naturally be unquestioned, and the difficulties which now beset us would speedily disappear.

I do not believe that any other solution of the question would be either efficient or satisfactory in the premises. Any attempt of such a body as the Interstate Commerce Commission to regulate corporations over whom authority is largely vested in the nations under whose flags they operate would be beset with insuperable difficulties, the nature of which can only be appreciated by an experienced ocean transportation man, besides being certain to incur for this country diplomatic controversies of a serious nature. I do not believe that the occasion is one which warrants the flaunting of a red flag. The situation is one which demands, on the other hand, constructive statesmanship of the highest order, and certainly such statesmanship can not but appreciate the wholly archaic character of the legislation which has driven our flag from the high seas of the world and has thereby left us at the mercy of a powerful combination of foreign investors not amenable to our laws and desirous only of operating after a plan which will give them the largest net return upon their investment, regardless alike of the effect this may have upon our Nation's commerce or of any other nation, except in so far as the laws of their own country prevent them from discrimination against its citizens.

I am, sir, obediently, yours,

J. J. SLECHTA.

Also a communication from Mr. Paul F. Gerhard, of date January 22, 1913.

The communication referred to was marked "Exhibit No. 61," January 23, 1913, and is as follows:

EXHIBIT No. 61.

NEW YORK, January 22, 1913.

HON. J. W. ALEXANDER,

*Chairman Committee on Merchant Marine and Fisheries,
Washington, D. C.*

DEAR SIR: In connection with the complaint in the testimony of Mr. Slechta, agent for Lloyd Brasileiro, of exclusion from coffee transportation in consequence, as he intimated, of the operation of the rebates granted by the conference lines on exports of coffee from Brazil, I beg leave to submit a statement of the coffee brought from Brazil to New York by the Prince Line steamers during the years 1910, 1911, and 1912. This statement shows that the Prince Line steamers averaged between one-third and one-half of full cargoes during the three years mentioned, and confirms the statement produced by Mr. Gotthell, indicating that there is not sufficient cargo moving northward to provide anything like full cargoes for the return voyage of the ships that are necessary to take care of the southbound service in that trade. I shall be glad to have this statement included in the record as a part of my testimony.

Respectfully,

PAUL F. GERHARD.

Coffee brought from Brazil by the Prince Line steamers during the year 1910 to New York.

Date of arrival.	Steamer.	Number of bags coffee.	Capacity, bags.	Short cargo, bags.
Jan. 11.....	Crown Prince.....	51,369	75,000	23,631
Feb. 18.....	Castillian Prince.....	6,500	52,000	45,500
Mar. 21.....	Corsican Prince.....	27,951	62,000	34,049
Apr. 21.....	Grecian Prince.....	14,626	41,000	26,374
May 11.....	Black Prince.....	2,000	110,000	108,000
May 13.....	Castillian Prince.....	4,989	52,000	47,011
June 5.....	Crown Prince.....	15,932	75,000	59,068
July 7.....	Corsican Prince.....	9,098	62,000	52,902
Aug. 9.....	Orange Prince.....	54,951	80,000	25,049
Aug. 15.....	Eastern Prince.....	39,576	80,000	40,421
Sept. 2.....	Scottish Prince.....	47,761	80,000	32,239
Oct. 4.....	Tudor Prince.....	66,183	110,000	43,817
Oct. 18.....	Asiatic Prince.....	79,745	80,000	265
Nov. 1.....	Corsican Prince.....	19,950	62,000	42,050
Nov. 17.....	Eastern Prince.....	29,528	80,000	50,000
Nov. 29.....	Indian Prince.....	24,481	80,000	55,519
Dec. 10.....	Scottish Prince.....	36,135	80,000	43,865
Dec. 28.....	Orange Prince.....	66,425	80,000	13,575
		597,198	1,341,000	743,802

PAUL F. GERHARD.

• *Coffee brought from Brazil by the Prince Line steamers during the year 1911 to New York.*

Date of arrival.	Steamer.	Number of bags coffee.	Capacity, bags.	Short cargo, bags.
Jan. 12.....	African Prince.....	63,111	129,000	65,889
Jan. 20.....	Asiatic Prince.....	28,766	80,000	51,234
Feb. 3.....	Tudor Prince.....	23,684	110,000	86,316
Feb. 12.....	Eastern Prince.....	13,274	80,000	66,726
Mar. 16.....	Scottish Prince.....	38,093	80,000	41,907
Apr. 1.....	Indian Prince.....	35,039	80,000	44,961
Apr. 22.....	Asiatic Prince.....	33,318	80,000	46,682
May 1.....	Orange Prince.....	23,527	80,000	56,473
May 16.....	Eastern Prince.....	45,977	80,000	34,023
May 23.....	African Prince.....	21,265	129,000	107,735
June 8.....	Scottish Prince.....	7,555	80,000	72,445
July 10.....	Asiatic Prince.....	16,145	80,000	63,855
Aug. 2.....	Eastern Prince.....	30,719	80,000	49,281
Aug. 15.....	Indian Prince.....	20,244	80,000	59,756
Sept. 2.....	Orange Prince.....	46,669	80,000	33,331
Sept. 13.....	Scottish Prince.....	15,311	80,000	64,689
Oct. 8.....	Asiatic Prince.....	39,604	80,000	40,396
Oct. 23.....	African Prince.....	71,807	129,000	57,193
Nov. 8.....	Indian Prince.....	27,992	80,000	52,008
Nov. 26.....	Chinese Prince.....	75,257	124,000	48,743
Dec. 11.....	Eastern Prince.....	63,745	80,000	16,265
Dec. 18.....	Scottish Prince.....	68,908	80,000	11,092
		810,010	1,981,000	1,170,990

PAUL F. GERHARD.

Coffee brought from Brazil by Prince Line steamers during the year 1912 to New York.

Date of arrival.	Steamer.	Number of bags coffee.	Capacity, bags.	Short cargo, bags.
Jan. 3.....	Asiatic Prince.....	83,686	80,000	46,314
Jan. 23.....	Siamese Prince.....	40,022	124,000	83,978
Feb. 9.....	Indian Prince.....	17,375	80,000	62,625
Feb. 24.....	Ocean Prince.....	63,750	128,000	64,250
Mar. 7.....	Eastern Prince.....	28,196	80,000	51,804
Mar. 23.....	African Prince.....	21,930	129,000	107,070
Apr. 8.....	Asiatic Prince.....	14,348	80,000	65,652
Apr. 26.....	Chinese Prince.....	54,425	124,000	69,575
May 7.....	Scottish Prince.....	25,713	80,000	54,287
May 24.....	Indian Prince.....	16,875	80,000	63,125
June 5.....	Eastern Prince.....	18,159	80,000	61,841
June 22.....	Siamese Prince.....	19,186	124,000	104,814
July 5.....	Asiatic Prince.....	27,429	80,000	52,571
July 24.....	Ocean Prince.....	53,021	128,000	74,979
Aug. 11.....	Scottish Prince.....	62,636	80,000	17,364
Aug. 27.....	Orange Prince.....	29,101	80,000	50,899
Sept. 2.....	Indian Prince.....	19,050	80,000	60,950
Sept. 26.....	Chinese Prince.....	30,013	124,000	93,987
Oct. 12.....	Portuguese Prince.....	65,185	125,000	59,815
Oct. 24.....	Asiatic Prince.....	75,000	80,000	5,000
Nov. 4.....	Eastern Prince.....	71,831	80,000	8,169
Nov. 21.....	Scottish Prince.....	74,371	80,000	5,629
Dec. 9.....	Ocean Prince.....	52,964	128,000	75,036
Dec. 23.....	Indian Prince.....	62,220	80,000	17,780
		976,486	2,334,000	1,357,514

PAUL F. GERHARD.

TESTIMONY OF MR. PHILIP A. S. FRANKLIN, VICE PRESIDENT OF THE INTERNATIONAL MERCANTILE MARINE CO., NEW YORK.

The witness was duly sworn by the chairman.

The CHAIRMAN. Mr. Franklin, you will please give us your address and your business.

Mr. FRANKLIN. My address is 9 Broadway, New York; vice president International Mercantile Marine Co.

The CHAIRMAN. Please tell the committee if the International Mercantile Marine Co. is an American corporation.

Mr. FRANKLIN. The International Mercantile Marine Co., the holding company, is a New Jersey corporation.

The CHAIRMAN. Who are the officers of that corporation?

Mr. FRANKLIN. The president at the moment is Mr. J. Bruce Ismay. He has resigned, and Mr. Harold A. Sanderson will be appointed in his place, to take effect on June 30.

The CHAIRMAN. And who are the board of directors of the International Mercantile Marine Co.?

Mr. FRANKLIN. I will read them off to you: E. C. Grenfell, John I. Waterbury, the Right Hon. Lord Pirrie, George W. Perkins, Charles Steele, J. Bruce Ismay, Percy Chubb, E. J. Berwind, Harold A. Sanderson, P. A. B. Widener, Charles F. Torrey, and J. P. Morgan, jr.

Mr. HARDY. I would like to have you indicate to us which of those are English and which Americans.

Mr. FRANKLIN. Mr. Grenfell, Lord Pirrie, Mr. Torrey, and Mr. J. Bruce Ismay are the British members. Mr. Waterbury, Mr. Per-

kins, Mr. Steele, Mr. Chubb, Mr. Berwind, Mr. Widener, and Mr. Morgan, jr., are the American directors.

Mr. STEVENS. Where is Mr. Ismay living?

Mr. FRANKLIN. Liverpool

Mr. STEVENS. And his successor?

Mr. FRANKLIN. His successor is living at the moment in Liverpool, but will live in London. I will be very glad to leave a copy of our annual report with you, if it will be of any service to the committee.

The CHAIRMAN. Who is the chairman of the board of directors?

Mr. FRANKLIN. The chairman of the board of directors has been for a number of years Mr. C. A. Griscom. He died about three months ago, and no one has been selected to take his place.

Mr. HARDY. Is he American or English?

Mr. FRANKLIN. Mr. Griscom is an American, a Philadelphian.

The CHAIRMAN. Tell the committee what lines are owned or controlled in various ways by the International Mercantile Marine Co.?

Mr. FRANKLIN. The White Star Line, the Red Star Line, the American Line, the Dominion Line, and the Leland Line. That is all.

Mr. HARDY. Is that the "Old Dominion"?

Mr. FRANKLIN. No, sir; it is the Dominion Line; it is not the Old Dominion.

The CHAIRMAN. Did you mention the Atlantic Transport Line?

Mr. FRANKLIN. No, I did not; I overlooked that. The Atlantic Transport Line.

The CHAIRMAN. And the National Line?

Mr. FRANKLIN. The National Steamship Co. is controlled through shareholding by the Atlantic Transport Line. The National Line is really no longer a line; it only owns two ships—the National Steamship Co. (Ltd.).

The CHAIRMAN. Have the International Mercantile Marine Co. holdings in other companies that may not amount to control?

Mr. FRANKLIN. The International Mercantile Marine Co. has an important holding in the Shaw, Saville & Albion Co., which is a company operating from London to New Zealand. They also have about a 25 per cent holding in the Holland-American Line.

The CHAIRMAN. Is there any other?

Mr. FRANKLIN. They have a small holding in the Thompson Line, which runs from London to Australia. It is not anything like a controlling holding; it is a small share holding.

The CHAIRMAN. Of course I have the hearings of the *Titanic* disaster before me, but I would like for you to just state briefly the capitalization of your company. I have been asked about it time and time again, and I would like to get it accurately.

Mr. FRANKLIN. I think you mean, virtually, the capital stock of the companies taken together; is that right?

The CHAIRMAN. Well, yes.

Mr. FRANKLIN. In round numbers we have \$75,000,000 of bonds outstanding; we have about \$50,000,000 of preferred and about \$50,000,000 common stock. It is about equally divided; there is a little more preferred than common.

The CHAIRMAN. I notice here in the report of the Senate committee it is stated that there is \$102,000,000 of preferred and common stock.

Mr. FRANKLIN. That is right, about \$102,000,000.

The CHAIRMAN. And \$52,000,000 of 4½ per cent bonds?

Mr. FRANKLIN. Eighteen millions of 5 per cent bonds, and the balance are underlying bonds.

The CHAIRMAN. They have nineteen millions, about, of 5 per cent bonds?

Mr. FRANKLIN. Yes.

The CHAIRMAN. And \$17,000,000 of underlying bonds?

Mr. FRANKLIN. That is about right.

The CHAIRMAN. And the total stock and bonded liability is about \$180,000,000?

Mr. FRANKLIN. That is about right, in round numbers.

The CHAIRMAN. And the company owns and operates a fleet of about how many vessels?

Mr. FRANKLIN. About 126 vessels, and about 1,185,000 tons of shipment.

The CHAIRMAN. It is doing a general transoceanic and transportation business throughout the world?

Mr. FRANKLIN. Yes. The tonnage is constantly changing as the old ships go out and the new ships come in.

The CHAIRMAN. The question has been asked frequently how much American capital is invested in shipping that is in the foreign trade and under foreign flags. Have you any accurate information on that subject?

Mr. FRANKLIN. I have not, Judge Alexander. I do not know whether we could work it out for you or not, but if you would like to have the information we will try to work it out. We would be very glad to do it.

The CHAIRMAN. Yes. I have been asked at different times, but did not know from whom I could get the information any more accurately than perhaps from you. I think a few days ago Mr. Henry Clews gave an estimate on it.

Mr. FRANKLIN. I would not like to give an estimate, because I think it ought to be gone over very carefully first.

The CHAIRMAN. Oh, yes.

Mr. HARDY. Along that line, I would like to call your attention to the fact that the Brooklyn Times on December 11, stated that when passing the Panama Canal bill last summer Congress inserted a clause admitting foreign-built vessels to American registry, but that not one application, etc., has been made for the admission to American register of foreign-built ships; and that there are now between 1,500,000 and 2,000,000 tons of foreign ships under foreign flags, which are owned by Americans: Would you think that was possibly correct?

Mr. FRANKLIN. Well, I think this, that the Americans would practically control easily 1,500,000 tons of foreign shipping.

The CHAIRMAN. Not what they control, but this says they own that many ships.

Mr. FRANKLIN. It is very difficult to say where the actual ownership, for the sake of argument, of the I. M. M. Co. is; but the I. M. M. Co. is controlled here, and therefore controls that situation. That is the point.

The CHAIRMAN. In other words, if American capital does not own ships directly, it controls them?

Mr. FRANKLIN. Yes; it controls them.

The CHAIRMAN. And you think a million and a half tons?

Mr. FRANKLIN. I should say yes; taking the United Fruit and others, but I would not like to make an estimate.

The CHAIRMAN. Would an estimate of the capital invested to the tonnage controlled give that?

Mr. FRANKLIN. Yes; by estimating the capital invested you could get the tonnage controlled I think fairly well.

Mr. WILSON. Mr. Chairman, in preparing this statement of capital invested, was it intended to include the bonds held abroad and bonds held here as well as the stock, both common and preferred.

The CHAIRMAN. Yes. What we want is to get as accurate information as possible as to the amount of American capital invested in shipping in the foreign trade.

Mr. WILSON. Mr. Chairman, the reason I asked the question is this. There might be some difference of opinion as to whether borrowed money—borrowed on bonds by Americans—American corporations—would be considered as foreign money invested in American shipping. It seems to me, however, that it should be admitted, because actually it is foreign capital invested in shipping. I do not know whether the Chair had that in mind when asking Mr. Franklin to submit that information.

The CHAIRMAN. Of course, we have to get as accurate information as we can on that subject, and I do not suppose it is possible to know just where the bonds are held. Are they registered bonds or payable to bearer?

Mr. FRANKLIN. They can be registered; but very few of them are registered. You could not possibly tell where the bonds were held. What I have in mind that the committee wanted from me was not the actual capitalization of the companies, but the amount of tonnage, in the first place, and the probable value of that tonnage.

The CHAIRMAN. Owned or controlled—

Mr. FRANKLIN. Owned or controlled by American companies. I was not going to try and bring forward the capitalizations of the various companies necessarily. That might not represent the value of their tonnage or it might.

Mr. HARDY. There would be no way, you think, of telling how much of bonds of foreign companies were held in this country or how much of domestic companies' bonds were held abroad?

Mr. FRANKLIN. I would know of no way of getting that information.

The CHAIRMAN. Referring to the White Star Line, please tell the committee in what trade the White Star Line is engaged.

Mr. FRANKLIN. The White Star Line's services are as follows: New York, Plymouth, Cherbourg, Southampton, eastbound; Southampton, Cherbourg, Queenstown, New York, westbound; New York, Queenstown, Liverpool, and vice versa; Boston, Queenstown, Liverpool; New York and Boston, both to the Azores, Madeira, and the Mediterranean; Liverpool to Australia; Australia to London; London to New Zealand; and Liverpool to New Zealand. I put all those services in our answer.

The CHAIRMAN. What other lines are engaged in the service eastbound from New York to Plymouth, Cherbourg, and Southampton?

Mr. FRANKLIN. The only other line which terminates in South-

ampton and is in that trade is the American Line; but the Hamburg and the North German Lloyd and the Holland American and all the other lines that go through the channel call at various channel ports—Plymouth, Cherbourg, Dover, Boulogne—so that they are all practically in that trade. But the only line—the only two lines—terminating in the Southampton are the White Star and the American Lines.

The CHAIRMAN. And the White Star and American are constituent companies, or lines, under the control of the International Mercantile Marine?

Mr. FRANKLIN. They are all subsidiary companies of the I. M. M. Co.

The CHAIRMAN. Are you familiar with the workings of the west-bound North Atlantic Freight Association?

Mr. FRANKLIN. I am generally, at least I have a good deal of general knowledge, regarding the westbound freight situation as a whole—trans-Atlantic; but it is not in any way controlled on this side, and we have no jurisdiction over it. Generally speaking, it is divided into four or five sections, you might call them: The Mediterranean section, the northern continent section, the London section, and the Liverpool section. The London and Liverpool are very similar, because they are both from the United Kingdom. Now, there are agreements, as we have reported, covering those various trades, but they have nothing to do with each other. There is no one agreement covering all the trades.

The CHAIRMAN. You mean to say they have no general conference or general secretary?

Mr. FRANKLIN. Secretary Peters, in Jena, as I understand it, is the secretary. That is, he keeps the records and the documents and circulates whatever is to be circulated, and deals with matters of that kind regarding all continental matters. And I think he does and acts similarly for the Mediterranean, but he does not have any capacity, as I understand it, for the United Kingdom lines.

The CHAIRMAN. Is it not to all intents a duplication of the organization that exists in the passenger service between those ports?

Mr. FRANKLIN. No, sir; it is not the same, because in the passenger service, in the third-class passenger agreement particularly, the British and the continental lines are parties to the same agreement and work under the same agreement. Now, that does not apply, to the best of my knowledge and belief, at all to any freight matters as a practical matter.

The CHAIRMAN. But these conferences are divided into two sections, as related to the freight traffic westward?

Mr. FRANKLIN. They are practically in three or four sections, because the London and Liverpool are domiciled in different places. The lines are different to some extent, not entirely, and so from my point of view practically in four sections—those we are referring to now.

The CHAIRMAN. Now, let us take up the London section first. What lines are in the service from this country to London—

Mr. FRANKLIN. From this country to London?

The CHAIRMAN. Yes; eastward.

Mr. FRANKLIN. That is eastward. Do you want to make that westward or eastward?

The CHAIRMAN. Make it westward first.

Mr. FRANKLIN. They are very much the same. The Furness Line to Newport News, the Philadelphia Transatlantic Line to Philadelphia, the Atlantic Transport Line to Baltimore, Philadelphia, and New York; the Leyland Line and the Wilson & Furness-Leyland to Boston; the Thompson Line to Portland when Montreal is not open and to Montreal when it is open; the Canadian Pacific Line; and the Allen Line. I think I have covered them all.

Mr. HARDY. What is that last line, the Holland Line?

Mr. FRANKLIN. The Allen Line.

Mr. WILSON. Where does the Canadian Pacific sail from?

Mr. FRANKLIN. They sail between Montreal and London.

Mr. HUMPHREY. Are all these lines you name in one conference?

Mr. FRANKLIN. They are all different companies, except the Atlantic Transport and the Leyland Line.

Mr. HUMPHREY. I say, are they all in one conference?

Mr. FRANKLIN. They have, as I understand it, a minimum rate agreement in London on westbound rates.

Mr. HUMPHREY. All these lines are in conference also in the passenger traffic? I suppose you went over that before I came in.

Mr. FRANKLIN. I only touched a little upon the passenger traffic, the third class. I could explain that in a minute if you wish me to later. I could give you a general outline of the passenger agreement if you want it, but you have all the copies. I can give you a general outline if you want it.

The CHAIRMAN. Tell the committee just how these lines meet in conference. Give us the modus operandi—what they do—what are the subjects considered and determined.

Mr. FRANKLIN. Of course, as I have told you, I am not closely affiliated with the westbound situation at all, but my understanding is that these lines meet in conference in London, discuss all matters that pertain to bills of lading, receipts, documents, and things of that sort, and then they discuss their minimum rates and settle upon minimum rates.

The CHAIRMAN. When you speak of minimum rates, isn't that tantamount to saying they discuss and determine the rates that the several lines will charge for westbound freight?

Mr. FRANKLIN. It is absolutely so in the westbound business, because the steamers are never full—practically so.

The CHAIRMAN. What is the name of the secretary in that conference?

Mr. FRANKLIN. I have not any idea of the secretary in London, and, as a matter of fact, I do not think they have one. I think it is a very informal meeting.

The CHAIRMAN. Is this conference governed by any written rules?

Mr. FRANKLIN. That I could not tell you.

The CHAIRMAN. Could you ascertain?

Mr. FRANKLIN. I could.

The CHAIRMAN. Will you do so for the committee?

Mr. FRANKLIN. I will.

The CHAIRMAN. And furnish us a copy, if it is available?

Mr. FRANKLIN. I will try to.

The CHAIRMAN. Are there any lines operating from London to the United States not in this conference?

Mr. FRANKLIN. I do not think there are any lines operating from London to the United States that are not in this conference, unless it is possibly a line at times running into New Orleans, but they have not had much of a service for a long time. They work eastbound more than westbound.

The CHAIRMAN. Let us go to the Liverpool situation. What lines are in the service from Liverpool to points in the United States?

Mr. FRANKLIN. My understanding—what lines?

The CHAIRMAN. Yes.

Mr. FRANKLIN. The Canadian Pacific lines, the Allen Line, the Warren Line, the Cunard Line, the White Star Dominion, the White Star, the Harrison Line. I think those are all that are regularly in the westbound trade.

The CHAIRMAN. Tell the committee if these lines are in the Liverpool conference.

Mr. FRANKLIN. I think you will find that all the lines that are in the conference, which is where they would meet to discuss bills of lading, receipts, and documents, and all matters of mutual interest of that kind, but all those lines are not necessarily a party to the westbound, or what I call the "west-bound agreement," for the sake of discussion, putting it clearly before you. The lines particularly in the west bound agreement are the Canadian Pacific, the Allens, the Cunard, the White Star, the Leland, and I think the Harrison.

The CHAIRMAN. What do they cover in the United States?

Mr. FRANKLIN. They cover Portland, Boston, New York—I left out the American Line in both cases there; the American Line runs from Liverpool to Philadelphia—New York, Philadelphia—and also I left out the Johnson Line, which is in both cases—Baltimore, Newport News, New Orleans, and Galveston.

The CHAIRMAN. Do they fix the rates in the same way that the rate is fixed in the London conference?

Mr. FRANKLIN. My understanding is that they fix the rates in the same way, but rates largely applied to the north Atlantic trade, which is where the services are regular weekly services.

The CHAIRMAN. Are they from New York?

Mr. FRANKLIN. Yes; from Liverpool to various points.

The CHAIRMAN. The minimum rate there is in effect absolutely, is it not?

Mr. FRANKLIN. Well, it is practically the same thing as applied to London. The ships are never full; they never have anything like a half cargo.

The CHAIRMAN. As I understand it, the London conference and the Liverpool conference both regulate or fix the rates from London and Liverpool to points on the north Atlantic?

Mr. FRANKLIN. Yes.

The CHAIRMAN. Is there any connection between the Liverpool and the London conference?

Mr. FRANKLIN. There is no direct connection between the two conferences. There may be some companies who are interested in both, but they are not working together from that point of view.

The CHAIRMAN. Some of these companies come from Liverpool and some from London. I presume that it is understood between them what ships shall sail from Liverpool and what from London—

Mr. FRANKLIN. I beg your pardon. I thought you had finished.

The CHAIRMAN (continuing). And they are acting in accord in that regard; then, they are in accord with reference to rates either from Liverpool or London?

Mr. FRANKLIN. I know of no arrangement whereby the companies are barred one from the other port. That particularly applies as to freight.

The CHAIRMAN. There is a common ownership in many of these lines that sail from Liverpool and London, is there not?

Mr. FRANKLIN. There is common ownership in several of the lines sailing from Liverpool and London.

Mr. HARDY. Does this holding company control both of them?

Mr. FRANKLIN. That is another—for instance, you have the Furness Line, which is interested in both the London and the Liverpool trade to Newport News. Then, you have the I. M. M., entering or controlling the Atlantic Transport Line, which runs from London to New York, and the White Star Line from Liverpool to New York.

Mr. HARDY. So that both these companies practically control or own both the London and the Liverpool lines to this country?

Mr. FRANKLIN. In a good many cases, but they may be competing companies. They are not necessarily all owned or held by the same company.

Mr. WILSON. Are the minimum rates from London and from Liverpool the same?

Mr. FRANKLIN. No; not necessarily.

Mr. WILSON. I mean in fact.

Mr. FRANKLIN. I do not think they are.

The CHAIRMAN. Does the Cunard Line own controlling interest in the Allen Line?

Mr. FRANKLIN. The Cunard Line, as far as I know, has no interest whatsoever in the Allen Line?

The CHAIRMAN. What about the Warren Line?

Mr. FRANKLIN. The Warren Line is owned by Furness—Messrs. Furness, Withy & Co.—and is operated between Liverpool and Boston. There are some sailings to Galveston.

The CHAIRMAN. How about the Harrison Line?

Mr. FRANKLIN. The Harrison Line is owned by Mr. T. J. Harrison, of Liverpool, and is operated from Liverpool, as I understand, to Galveston, New Orleans, Mobile, and some other southern ports—very largely interested in the cotton trade.

The CHAIRMAN. The Thompson Line, is that owned by any other line?

Mr. FRANKLIN. The Thompson Line is practically controlled by the Cunard Line.

The CHAIRMAN. How about the Johnston Line?

Mr. FRANKLIN. The Johnston Line is owned by Messrs. William Johnston & Co., of Liverpool, and runs between Baltimore and Liverpool or Liverpool and Baltimore.

The CHAIRMAN. Is there any control by any one of these other lines?

Mr. FRANKLIN. Not that I know of or ever heard of.

The CHAIRMAN. What lines trade from Glasgow to the points in the United States?

Mr. FRANKLIN. The Allen Line and the Franklin Line are the most important, and practically the only people in the Glasgow trade. There is the Donaldson Line.

The CHAIRMAN. Well, are they also controlled by conference agreement?

Mr. FRANKLIN. I believe they have, but I know absolutely nothing about it. We are not in any way connected with the Glasgow business.

The CHAIRMAN. Is there not, practically, either by ownership or of interlocking directories or stock ownership a practical agreement control of all the lines from the United Kingdom to the United States?

Mr. FRANKLIN. Positively; no.

The CHAIRMAN. You said awhile ago that you would explain the passenger business briefly.

Mr. FRANKLIN. The passenger situation briefly is this: There are agreements in effect which affect the minimum rates on first and second class business, each steamer having a minimum rate, depending upon the class and type of the ship and the trade in which she is running. This applies both to the first and second class business. The minimum rate is only a basing rate. The steamers can charge as much more as they like, depending upon the conditions that they are offering to the passenger. It is exactly the same arrangement as the New York Central and the Pennsylvania operating between New York and Chicago have—a certain rate for their very fast trains, another rate for their slower trains; and the Lehigh Valley and the Erie Railroad have still a lower rate for their trains. There is nothing else in the first and second class passenger agreement of any importance, except the working the details. As far as the rates are concerned, there is no other thing—there is no pool, to the best of my knowledge and belief, or anything of that kind. As far as the third-class business is concerned, there are really only two important groups—that is, the group that comes from the Mediterranean, which is a separate agreement; and then the northern lines, embodying the continental and the United Kingdom lines. That is an agreement which is practically a pool. It was found to be a necessary arrangement in order to preserve the smaller lines and give everybody a fair division of the traffic.

Mr. HUMPHREY. The rates on that traffic are fixed by Mr. Peters, are they not, twice a month?

Mr. FRANKLIN. No; the rates are not fixed by anybody. The rates are fixed, as I understand it, in this way: That if a line sees that it is carrying far in excess of what it knows it is entitled to, it has got to go up. That stops the movement over that line temporarily; that throws it to some other line. Now, that line, when it goes up, no doubt advises—and I think it does advise—Mr. Peters it is going up, and Mr. Peters then sends a circular to everybody interested that that line is advancing its rates.

Mr. HUMPHREY. Is not that written agreement of the conference the one in the possession of the Department of Justice? I remember of reading it; but does not that agreement prescribe that the lines in the conference must report to Mr. Peters twice a month the freight rates and that he gives out then what the rate is and that no rate can be made without the consent of the lines?

Mr. FRANKLIN. You are talking about freight rates?

Mr. HUMPHREY. No; I am talking about the passenger rates.

Mr. FRANKLIN. You said "freight rates." That is not the way it is worked, because Mr. Peters has no authority over rates in any way, shape, or form. Mr. Peters is only a medium through which the lines communicate.

The CHAIRMAN. To whom?

Mr. FRANKLIN. To everybody interested; as, for instance, if any one line found it was overcarrying what it knew to be its right percentage in the trade, it necessarily would have to advance its rates. Now, it would advise Mr. Peters that it was advancing its rates. When it reduces its rates later on it would advise Mr. Peters of the same. Mr. Peters would then circulate that among all of the other lines, parties to the agreement; that is exactly it.

Mr. HUMPHREY. Has any line the authority to reduce rates without the consent of the others?

Mr. FRANKLIN. My understanding of it is—the agreement is all there—but if a line found itself falling behind it has the right to reduce its rate, because it make no difference really to the other companies, because if it overcarries it has got to go up.

Mr. HUMPHREY. My recollection of that written contract and the specific provision in regard to that part is to this effect, that no line shall reduce their rate in order to gain its proportion; that is one of the things that is expressly prohibited.

Mr. FRANKLIN. That is right; below a certain scale.

The CHAIRMAN. Below the minimum?

Mr. FRANKLIN. If a line, for the sake of argument, had a rate to-day of \$38, and it found it is largely overcarrying and it advanced its rate to \$40, to temporarily stop overcarrying, they could then come back to \$38, you see.

Mr. HUMPHREY. If they were carrying too much at \$38 they could come back?

Mr. FRANKLIN. Yes.

Mr. HUMPHREY. But they are prohibited from reducing rates when falling below. If one line is falling below in its proportion of passengers, that line is prohibited from going below the minimum fixed in order to get its share?

Mr. FRANKLIN. Oh, yes. Let me put it another way to you. The spirit of it is that if the line that is overcarrying should advance its freight temporarily and let the other lines take the business. The spirit is not to reduce the rate.

Mr. HARDY. In other words, the interests of the companies have fixed a minimum rate, and if a company is ahead in its carryings, the practice is to take advantage of it and raise the rate, but never to cut below the minimum?

Mr. FRANKLIN. The lines would not cut below the minimum, as I understand it.

The CHAIRMAN. By virtue of the agreement, the immigrant business is apportioned between the several companies and the minimum rate fixed; and if one company carries in excess of its proportion, it would pay into the pool for the benefit of the other companies that carried less than their proportion?

Mr. FRANKLIN. Yes; that is quite right.

The CHAIRMAN. And to prevent paying back, they may increase the rates which, of itself, will force the traffic to the lines that have not gotten their proportion?

Mr. FRANKLIN. Yes.

Mr. WILSON. Suppose that the minimum rate was \$30 and you were all charging \$35, and one line was getting less than its proportion of the traffic, would that one line have the right to reduce below \$35 but not below \$30?

Mr. FRANKLIN. That is my understanding of it—but not below \$30. I think you have that agreement in your records. I was just trying to glance over the record to see if I could find the page.

Mr. HARDY. It is not to the interest of a company to reduce below this minimum anyhow, is it?

Mr. FRANKLIN. It is not to the interest of anybody to reduce below that minimum.

Mr. HARDY. For the simple reason that if they are not getting their share of the freight and passengers, they are getting their share of the money?

Mr. FRANKLIN. Yes; if they are not getting their share of the freight they are getting their share of the money. The point I wanted to bring out was that if they are not getting their share of the business, although they are getting their share of the money, the man who is getting an excess of business is putting out more money and effort, and he is using that capital and getting no return on it.

Mr. HARDY. Because the man who is not getting his share of the traffic is getting his share in money?

Mr. FRANKLIN. That is right.

Mr. WILSON. What inducement would there be for a line that was not getting its share of the traffic at, say, \$35, when the minimum was \$30, to reduce its rate below that \$35? Would it not be to its interest to continue at the \$35?

Mr. FRANKLIN. The spirit of the agreement is that each line should carry its considered proper percentage of the traffic, you see; and if that line demonstrated over a period of years that it could not carry its percentage of the traffic, it may, a little later on, have to have its percentage reduced; and it is everybody's business to see that he carries his full percentage, and there is very active competition in the solocation of the business always, in order, you see, to get that percentage.

Mr. HARDY. To prevent their being cut in the general council?

Mr. FRANKLIN. To prevent a cut being made later on. The agreement is not made forever. In other words, if you do not demonstrate you are entitled to that share of the business, you may have trouble in getting it in the future.

Mr. HARDY. But otherwise it is to the interest of the companies to carry fewer rather than more?

Mr. FRANKLIN. The thought is that it is to the interest of the company to carry exactly what they are entitled to.

Mr. HARDY. I understand exactly.

Mr. FRANKLIN. They think it is a fair division of the traffic—that is the point. Otherwise the new ships—the man who brings out a new ship would have his new ship filled up all the time and carry more than his fair share.

Mr. HARDY. In other words, he would be doing more than his part?

Mr. FRANKLIN. He would be getting it all and that would mean coming down to a question of a survival of the fittest.

Mr. HARDY. In other words, in your team you do not want one mule pulling all alone?

Mr. FRANKLIN. We do not want one mule pulling all alone; and we do not want one mule to enter the business that is more powerful than the other, but to get its full load.

Mr. HARDY. And you do not want to pay on the dead mule?

Mr. FRANKLIN. No; we do not want to pay on the poor mule.

Mr. HARDY. That is what you mean?

Mr. FRANKLIN. Yes.

Mr. AYRES. Mr. Franklin, if one line should carry for a series of years more than its share of the passengers, would it be possible for that line to have its percentage raised?

Mr. FRANKLIN. No; there is nothing in the agreement, as I understand it. The agreement is here. There is nothing in the agreement that would accomplish that. It would simply mean that that man who is overcarrying would have to pay over four pounds. If he gets over that, he would have to pay it.

Mr. AYRES. But if a line demonstrated, through a series of years, that it was capable of carrying more than the allotted proportion, it would have a chance of getting a larger share?

Mr. FRANKLIN. No; because the spirit of the agreement is that if a man is overcarrying largely he should raise his rate. If he does not raise his rate it is referred ultimately to arbitration and he is forced to raise. In other words, as I said before, if a man has the money to buy new ships he would ultimately get the whole trade.

Mr. STEPHENS. Mr. Franklin, do I understand you to testify that ships carrying short of their quota, continually, they would be continued lower than their share?

Mr. FRANKLIN. No; I beg your pardon, I did not testify to that. I said that this agreement was not made forever, and that when they get together five or ten years from now, the lines that have not carried anything like their proper portion might have difficulty in making a bargain.

Mr. STEPHENS. And that is something to be afraid of; and if that is likely to happen, then they would be afraid if they had not carried their proportion?

Mr. FRANKLIN. This is passenger.

Mr. STEPHENS. I meant the human freight. Does not the larger carrying line get the benefit, and is not the proportion given to him later on?

Mr. FRANKLIN. The other line, of course, might contend for the benefit; but, as I have explained it to you, the spirit of the agreement and the way it is worked is that each line should carry the percentage that has been allotted or agreed upon. There has been nothing developed on the lines you are discussing, and so I know nothing about it. I do not know what might happen, but the rates are all dealt with so that each line carries practically what has been agreed upon as its fair percentage.

Mr. STEPHENS. Yes. Now, Mr. Franklin, as I understand it, if a line carries in a number of months far in excess of its quota it must pay to the other members in the pool a certain amount, and the lines carrying less than their quota are afraid of sometime having their quota in the pool changed and lowered. Now, is not that a means of maintaining rates? From long experience, have you found that the best means of maintaining equal rates for all lines in the pool?

Mr. FRANKLIN. The experience, as I understand it, has been, all the way through, that it is extremely difficult, where lines are running from different ports, under different conditions, having a different type of ships—some old and some new—to enable everybody to maintain his fair percentage and not be limited by anything; and that nobody has found any other way of doing that except by a pool.

Mr. STEPHENS. The primary purpose is to maintain the rates?

Mr. FRANKLIN. To maintain a fair rate and a reasonable rate, and yet not allow the man with unlimited capital for unlimited development to ultimately get the whole business. That is it.

Mr. HUMPHREY. That is, you mean a fair and reasonable rate in the judgment of those who fix the rates?

Mr. FRANKLIN. That is always a debatable point, what is a fair and reasonable rate? We all think they are fair and reasonable; that is all.

Mr. HUMPHREY. Mr. Chairman, there are one or two points which I would like to bring out, and as I will be unable to remain I would like to develop them at this point.

In article 16 of this agreement—I will read a part of it, which is as follows:

(a) The lines undertake to comply with article 8 of the "General rules, short series, of the continental conference," which reads as follows:

"No circulars or publications shall be issued by any line reflecting upon or instituting comparisons with any conference line favorable to the latter, and no party hereto shall support any newspaper which may systematically attack any conference line."

(b) They further undertake to send to the secretary any printed matter and circulars sent to agents in relation to the steorage business, so far as such matters are not of purely internal nature.

COMMENTARY TO ARTICLE 16.

(a) In view of the fact that the stipulations referred to in this article of the continental conference have stood the test of many years of practical working, it is decided not to alter anything with regard to such stipulations to the continental conference, but it was agreed that the words "support any newspaper" are more especially understood to mean that no advertisements are to be given to such newspaper.

Now, what is your understanding of that section?

Mr. FRANKLIN. Well, I think that section is perfectly clear in its language there. That is an agreement, as I have told you before, made abroad. As far as that section is concerned, I have never heard of it being operative at all.

Mr. HUMPHREY. I will give you one illustration that came under my direct observation, in which I happen to know about the facts: I wrote an article for Pearson's Magazine in regard to the South American trade, in which I attempted to set out some of the facts in regard to the conference rules. Immediately after that article appeared, the Hamburg-American agent went to the Pearson's Magazine people and told them because they printed that article they would take out their advertisements, and they did take them out.

Mr. FRANKLIN. Well, that is news to me; that is all I can tell you.

Mr. HUMPHREY. What I wanted to know was whether or not it is the policy——

Mr. FRANKLIN. I have never heard of it.

Mr. HUMPHREY (continuing). For your company to advertise only in papers that were friendly to the conference?

Mr. FRANKLIN. No, sir. We advertise in the papers we think will help us more than any others to meet the public—to put our line before the public.

Mr. HUMPHREY. I have noticed this fact—take the Philadelphia Inquirer as an illustration: Unless I am very much mistaken, up until the time this controversy arose about the Pearson's Magazine, which was given a considerably wide circulation—I tried to circulate it as much as I could—although that paper, as I understand, carries more advertising than any other newspaper in Philadelphia, it never carried in it a line of advertising for the foreign steamship companies until recently. And my observations have been, and I do not think it was a mere coincidence—all my observations have been that, taking it throughout the country generally, only such newspapers as had something favorable to say in regard to foreign steamship combines, at least those that did not attack them, received any advertisements from these foreign steamship lines. I have noticed, within the last year, that that policy has changed and they are appearing now for the first time in a great many newspapers where I never saw them before. I have been on the watch for this thing for the last four or five years, and I wanted to know if any action taken by Congress had abrogated that particular section.

Mr. FRANKLIN. I know of no action here and I know of no action in the conference in regard to the decreasing or increasing of it. Recently, in the last year, there is apparently an era sweeping over the United States of more and more advertising all the time, and the lines every day are spending more money in advertising than they have ever done, to the best of my knowledge and belief. They are advertising in more papers; and there is another point: We are all getting, every day, more and more in the cruising business, and it is a business that has to be worked up by advertising.

Mr. HUMPHREY. You mean touring business?

Mr. FRANKLIN. No, sir. It is not a tourist business in that sense; it is an actual cruise. For instance, we are running this year five cruises to the Panama Canal and through the West Indies, whereas three years ago we had only one, and prior to that we did not have any. We are also running cruises down to Alexandria, along the Mediterranean coast, and calling at the Azores and Madeira, all of which business is coming to us largely through advertising.

Mr. HUMPHREY. You think that explains the reason, then, why there is so much more advertising by these conference lines in the newspapers?

Mr. FRANKLIN. I have noticed that fact, and that is my explanation of it, and it is my honest conviction. In my case, that is actually so; positively so.

Mr. HUMPHREY. I wondered whether this transaction I referred to in regard to the Pearson's Magazine, which afterwards was disputed by the agent of the Hamburg-American Line until I got it in writing over the signature of the proprietors of Pearson's Magazine itself that it was true, had had something to do with it.

Mr. FRANKLIN. No, sir. I would be perfectly frank with you, but I tell you I have never heard of it.

Mr. WILSON. Would not the result of what Mr. Humphrey has just read be that it is an agreement to boycott those newspapers which are not friendly to these conference lines?

Mr. HUMPHREY. I was going to ask you what construction you would place on it.

Mr. FRANKLIN. I think it is perfectly clear. I think the spirit or the construction of that is that if newspapers should attack certain conference lines they should be avoided in their advertising.

Mr. HUMPHREY. Would the construction be true, also, that you would give your advertising to the newspapers that are friendly?

Mr. FRANKLIN. It would be if that paragraph was operative to-day, but I have never heard of that paragraph being made effective or operative in this country.

Mr. HUMPHREY. You do have special agents to look after that part of it?

Mr. FRANKLIN. We have men in our office to look particularly after advertising, and we have placed our advertising with Albert Frank & Co., of New York, who are supposed to do that.

Mr. HUMPHREY. There is another firm.

Mr. FRANKLIN. Presby & Co. There are three or four firms.

Mr. HUMPHREY. Do you know what firm does for the Hamburg-American Co.?

Mr. FRANKLIN. I think Presby does. But as far as I know and as far as we are working, we are absolutely free in our advertising in every way.

Mr. WILSON. Is this clause still operative and still a part of the agreement?

Mr. FRANKLIN. As I tell you, that is an agreement made abroad, and I think that agreement is operative to-day, but I could not tell you that positively.

Mr. WILSON. In other words, it is an agreement made abroad in which they enter into an arrangement to boycott American publications that are not so friendly to their institutions?

Mr. FRANKLIN. No, sir. I will not say that.

Mr. WILSON. What other construction can you place upon an agreement not to advertise with concerns of that kind?

Mr. FRANKLIN. I would put it in this way to you: That that is an agreement made abroad, but we have never had—it does not say, in the first place, "American papers"; and, in the next place, we have never had the slightest request from anybody connected with that agreement to do anything in regard to advertising.

Mr. WILSON. It does not say "American papers"; that is true; but it takes in all publications everywhere, including American papers, and consequently is an agreement to boycott the American papers or any other papers that are unfavorable.

Mr. FRANKLIN. There is no use of my arguing against that construction, because the words in the agreement speak for themselves. The point in my mind is this: That it is not an operative feature in the agreement, and has never been, and I never have heard of it being operative on this side of the water.

Mr. HUMPHREY. There is one other matter in connection with that same thing that I think ought to go in the record, and I want to ask you about it. This fact developed, growing out of this same article

and others in regard to the South American trade: A letter was prepared by the representatives of these South American lines and taken to the various shippers and signed by them, saying that in the trade between here and South America the shipping facilities were ample and praising the service generally. After that was signed by these shipping houses, at the request of the agent of the Hamburg-American Line, that letter was sent out—copies of it—to the various newspapers throughout the country, requesting them to make comment upon it, and with that request there was sent, in some instances, a manual of their advertisements, accompanied by checks.

Mr. FRANKLIN. That is absolutely unknown to me. We are not in the South American trade, and we do not know anything about it. We are not in any way connected with it.

Mr. HUMPHREY. So you do not consider, at least so far as your company is concerned, that portion of the agreement to which I have referred as authorizing you to do anything of that kind?

Mr. FRANKLIN. I have absolutely no instructions from my company on advertising in any way, shape, or form. I do as I think best, and that is what our agents are told, and whatever publication we think is the best medium to reach the public we use.

Mr. HUMPHREY. You can well understand the object of these questions.

Mr. FRANKLIN. I quite understand that.

Mr. HUMPHREY. The committee wants to know, and I think that is one of the things we are investigating, whether or not by the use of the words "advertising or other methods" you are attacking the press of the country.

Mr. FRANKLIN. No, sir; I do not think so. I know of no obligation in any way on advertising.

Mr. STEPHENS. Mr. Franklin, if advertising had been withheld from certain newspapers and given to certain others for reasons along the lines Mr. Humphrey has given, you would know of it personally?

Mr. FRANKLIN. If it had been in the trade in which we are particularly interested, like the people that Mr. Humphrey has mentioned in that trade, the people might have discussed it, and it might have been discussed in one of our meetings, and some one might have dropped in the office and said, "Here is this situation, what do you think about it?" Now, I never have heard of it in our trades.

Mr. STEPHENS. As an illustration, suppose a certain New York newspaper had been fighting, through its columns, the International Mercantile Marine Co., and had been carrying a certain amount of advertising which was suddenly withdrawn from the paper. Would you have known or have been consulted personally about that matter if it was done?

Mr. FRANKLIN. I would have been consulted if it had been done for any particular reason; if it was a matter of policy that had been mapped out. For the sake of argument, suppose we had said we are going to spend so much money in the newspapers in advertising our cruisers, we would simply have it put before us in a booklet where it is going. I would not look over the booklet, but I know perfectly well that if our advertising people had had under consideration any question such as you bring up, they would not take action without first talking it over with me, because that would be a

matter of policy. Did I make that clear to you? Our advertisements may be withdrawn. The point I want to bring out is that an advertisement may be reduced or withdrawn because the particular business we had been advertising for had been accomplished.

Mr. STEPHENS. Suppose a certain amount of money had been set aside by your company for advertising purposes, and you had given your advertising manager the right to place it wherever he thought it would do your company good——

Mr. FRANKLIN. The most good?

Mr. STEPHENS. The most good. Now, if in his judgment he deemed it wise to take it away from A and give to B, and his reason might have been that it was because A had been fighting your company, do you think he would have given that reason for it?

Mr. FRANKLIN. I think wherever a thing of that kind was done for a particular purpose, if it was a matter of policy, it would have been brought to my attention.

Mr. STEPHENS. Therefore you think if any such thing had ever happened as detailed by Mr. Humphrey, it would have been brought to your attention?

Mr. FRANKLIN. If for our company I think it would have been brought to my attention, without doubt.

Mr. HUMPHREY. There is one other question I would like to ask of you. You take the Journal of Commerce—I think that is the paper. It has always been exceedingly antagonistic to anybody that said a word about the Government in any way helping American shipping. When I made a talk upon the floor of the House four or five years ago in which I referred to these combines and conferences and stated what everybody now admits is true, it published a very vicious article attacking me. I do not care for that part of it, but I mention that to show you the character of the paper. That is the way it does. It is always watching to see if it can attack somebody that wants legislation in favor of American shipping. I have always noticed that this particular paper carries page upon page of advertising for foreign steamships. Now, how does that happen?

Mr. FRANKLIN. I think the best way to explain that is this: It is taken by more merchants and looked upon as a record by, in our opinion, a great many people, and it is a very useful medium for advertising, for our services particularly. We keep it in there for that purpose. Now, we have never advertised our cruisers. We have never given them special advertising, which we could have done if we had wanted to give them an extra amount. There was nobody in this country more anxious to see subsidy legislation than the International Mercantile Marine.

Mr. HUMPHREY. I was not referring to that.

Mr. FRANKLIN. Now, we were building at that time six steamers, hoping that subsidy was going through. We never change our advertisement in the Journal of Commerce. There it has appeared and there it is to-day, the same at that time as it is to-day. That shows you we are not guided by that.

Mr. HUMPHREY. In other words, you think the Journal of Commerce and other papers of that character get the advertising and then they have their editorial policy, but their editorial policy is not made by the advertising?

Mr. FRANKLIN. I do not think it is. There may be some papers you could do that with, but not many of them. I do not know of them.

Mr. HUMPHREY. The Journal of Commerce is not a paper of very wide circulation, is it, as compared with the other important papers in New York?

Mr. FRANKLIN. It is a paper, I should say, of very small circulation for the public at large, but for the merchants interested in shipping it has a most excellent circulation.

Mr. HUMPHREY. There just happens to be a copy of it here. I had not seen it for awhile. It has always been to my mind quite an instructive thing to look at this paper, read its editorial column, and then look at its advertisements.

The CHAIRMAN. Haven't we gone far enough on that question?

Mr. HUMPHREY. Yes.

Mr. AYRES. May I ask a question, Mr. Chairman? Most of these lines are sailed under the British flag, most of these transportation lines we have been talking about. Most of the advertising or a large proportion of the advertising spent by these lines is spent in the New York newspapers and New York magazines. Do you imagine that the influences of these lines being largely British and their advertising being spent in New York papers has any influence on the editorial sentiment of the New York newspapers against free tolls for the Panama Canal?

Mr. FRANKLIN. I do not think it has at all.

Mr. AYRES. You do not think it influences them in the least?

Mr. FRANKLIN. I do not think so.

Mr. AYRES. It is a curious coincidence that the large papers which have most of the appropriations seem to be very strongly against that American idea.

The CHAIRMAN. You had better look to their railroad affiliations as well as their steamship affiliations.

Mr. HUMPHRY. Both; they are working together.

Mr. FRANKLIN. I do not think that the lines are really interested in it.

Mr. HUMPHREY. There are two combinations right together on that proposition.

Mr. FRANKLIN. I am confident you will not find the steamships have done a thing on that line. They feel that is entirely beyond their control.

Mr. HARDY. Do you see any difference in the newspapers attacking Mr. Humphrey for attacking the foreign ship combine and newspapers attacking Members of Congress for opposing a ship subsidy?

Mr. FRANKLIN. Not the slightest.

Mr. HARDY. I think there were quite a number of Members of Congress who opposed the ship subsidy that were most violently attacked by certain publications.

Mr. HUMPHREY. But the ones that attacked you were not carrying large advertisements. I do not care for the attack on me.

Mr. HARDY. I did not care for that attack on me, but it was the other papers attacking me because I was opposed to the subsidy.

Mr. FRANKLIN. As I tell you, we place our advertising to the best of our ability where we think it is going to meet the people that are going to travel by us.

Mr. HARDY. I should think you would be more inclined to place it with a paper that is complimentary to you than with one that was slashing you.

Mr. FRANKLIN. I think that is only human nature. The fellow that is attacking you is not the one that you are going to favor. That is human nature.

Mr. HARDY. That is the point. That, however, is not much in the line of our discussion.

The CHAIRMAN. It is now 12. We will adjourn to meet at 1.30.

A recess was thereupon taken until 1.30 o'clock p. m.

AFTER RECESS.

The CHAIRMAN. In the trade westward from Liverpool and London, have you published tariffs between the different lines?

Mr. FRANKLIN. I do not think they have any published tariffs between the different lines. I understand they simply have rates which they name to people who ask for the particular rates.

The CHAIRMAN. And you have not got them?

Mr. FRANKLIN. I have not got them. I have never seen it.

The CHAIRMAN. Wait, if anything, do you know about the Canadian conference?

Mr. FRANKLIN. The Canadian conference—well, I do not know anything about the Canadian conference or, do you mean a conference in Montreal or a conference on the other side, westbound?

The CHAIRMAN. No; in reference to this.

Mr. FRANKLIN. No; I know nothing about the Canadian conference. These lines that I described, the Liverpool and London lines, running to Canada are working with their competitors running to the United States in this rate agreement, but that is all I know.

The CHAIRMAN. Take up the north continental conference, and tell us what you know about that, Mr. Franklin.

Mr. FRANKLIN. Well, there is an agreement between the north continental ports.

The CHAIRMAN. Just name them, as you go along.

Mr. FRANKLIN. Hamburg, Rotterdam, Bremen, Antwerp, on west-bound traffic.

The CHAIRMAN. Tell us what it is and what it includes.

Mr. FRANKLIN. It includes, according to my understanding of it, all the freight traffic carried by the lines operating from those ports.

The CHAIRMAN. To?

Mr. FRANKLIN. To the United States.

The CHAIRMAN. Does it include all French ports, as well?

Mr. FRANKLIN. My understanding is that it does not include the French ports. Whatever there is, there is a side agreement.

The CHAIRMAN. You mean that if there is such an agreement it is between this conference—the north continental conference—and the French ports?

Mr. FRANKLIN. That is right.

The CHAIRMAN. Is there such an agreement between the United Kingdom and French ports?

Mr. FRANKLIN. Not to my knowledge.

The CHAIRMAN. Where is that conference held?

Mr. FRANKLIN. Did you say between the United Kingdom and the French ports?

The CHAIRMAN. Yes.

Mr. FRANKLIN. I misunderstood you, then. I was thinking about between the United Kingdom; that is, the continental lines that I mentioned before and the United Kingdom lines—continental United Kingdom. I think there is an understanding simply regarding rates from the Channel ports.

The CHAIRMAN. Now, what ports?

Mr. FRANKLIN. That is between the French Line running from the French ports and the lines running from Southampton to the United States, but that is only a rate agreement, my understanding is—simply an understanding regarding rates.

The CHAIRMAN. Passenger rates as well as freight rates?

Mr. FRANKLIN. Freight rates, I am speaking of.

The CHAIRMAN. Does it also include passenger rates?

Mr. FRANKLIN. The passenger, first and second class, practically covers all lines westbound.

The CHAIRMAN. All lines westbound—that is, they have a minimum rate?

Mr. FRANKLIN. A minimum passenger rate.

The CHAIRMAN. But no pooling?

Mr. FRANKLIN. No pooling, first and second class.

The CHAIRMAN. Are you familiar with the terms of this north continental conference or agreement?

Mr. FRANKLIN. Well, I think the quickest way to reply to that question, rather than to any other question, is to say that I have here a copy of the agreement of 1894—

The CHAIRMAN. Will you furnish that to the committee, please?

Mr. FRANKLIN. Which I am furnishing in accordance with the subpoena, and that is the reason that I brought it here.

The CHAIRMAN. Yes.

The agreement as submitted by the witness was marked by the stenographer "Exhibit No. 62," and is as follows:

AGREEMENT.

Between the following trans-Atlantic steamship companies:

1. Hamburg-American Packet Co., in Hamburg.
2. North German Lloyd, in Bremen.
3. Holland-America Steamship Co., in Rotterdam.
4. Red Star Line, in Antwerp.

The following freight agreement has been arrived at to-day:

1. The purpose of this freight agreement is to bring about a mutual understanding regarding freight rates to be maintained on a corresponding basis and to preserve to each separate company its share of the total income from the freight traffic.

2. This freight agreement comprises the total freight traffic of the above-mentioned lines from ports of the North German seacoast, Holland, and Belgium to ports of the United States; it further includes the traffic with chartered vessels as well as with the lines' own steamers, and it further includes the freight for dead weight as well as for live stock.

The traffic of the Hamburg-American Packet Co. includes the traffic of the firm Rob. M. Sloman & Co., and the percentage of the Packet Co. designated in this agreement includes the share of the firm Rob. M. Sloman & Co.

3. The percentages of the companies of the total freight receipts are fixed as follows:

	Per cent.
Hamburg-American Packet Co -----	37½
North German Lloyd -----	23½
Holland-America Line -----	18
Red Star Line -----	20½

These percentages have been made up from the statements of their freight receipts in the years 1891, 1892, and 1893, furnished by all the lines. These statements will shortly be subject to a revision by the secretaries of the companies to be soon appointed. Any eventual corrections resulting from the verification of the statements submitted will be made one way as well as the other, but if the discrepancy of one single line should not amount to more than one-tenth per cent the same will remain unnoticed.

4. The companies agree not to accept heavy goods at less than 4 marks per weight ton and no measurement goods at less than 6 marks per measurement ton. Any company accepting less than these rates will have to account for goods so accepted at the minimum freight rate of 4 marks, respectively, 6 marks. Each line, however, is permitted on each sailing of a steamer to accept a quantity of heavy goods below the minimum rate of 4 marks, which shipment, however, must not exceed 300 tons, and account for same at the actual freight rate received for that quantity.

Under the term "heavy goods" are meant goods of which 1,000 kilos do not occupy more than 45 English cubic feet or such goods which the companies have agreed shall be considered as heavy goods.

5. As a rule, a meeting will be held every four weeks by the representatives of the freight departments of the combined lines for the purpose of agreement regarding freight rates to be maintained and for the exchange of opinions regarding the status of the business and measures to be taken to meet competition. The fixing of rates, however, is not done by majority vote, but by way of open agreement. The fixing of freight rates, even when such go below the fixed minimum freight rates, can be done, viz, for all ports by majority vote, for single ports by consent of all parties. Furthermore, the cancellation of freight rates can take place by majority vote.

6. Any line accepting goods under the minimum rate, with consent or upon agreement of the freight conference, has only to account for such at the freight rate accepted by them.

7. For the compiling of statistics and settlement of the accounts resulting from this agreement a secretary is to be appointed. To him are to be made monthly reports regarding the sailings which have taken place, the quantity of goods forwarded, and the freight rates received. The secretary, on the basis of these reports, is to compile statements and transmit same to the interested parties at earliest date.

The secretary is obliged, for the purpose of control, to inspect the manifests and books of the companies in so far as this may be necessary for his purposes.

8. Should it be found from the monthly statements that the freight receipts of one or the other company are below their percentage or above their percentage, if it is not probable that an equalization will take place without any special measures in the course of the year, then the conference must try through the regulation of rates to bring about equalization.

9. The fixing of the share for the various companies in conformity with this contract is to take place monthly, the equalization payments half yearly.

10. It shall be free to the companies, without reduction of their percentages fixed in No. 3, to reduce the number of their sailings up to 15 per cent. Further reductions beyond 15 per cent shall be deducted from the share pro rata of the number of sailings used as a basis for the determination of the percentages and in such a manner that each company pays into the account for every sailing short the average amount of freight received during the years 1891, 1892, 1893, and thereupon shall be entitled to their proper share of the total receipts.

11. The above agreement is in force from January 1 to December 31, 1894, and includes the freight receipts for all steamers departing for the United States from any of the ports in question during such period, and including the two days mentioned, without regard as to whether the shipments are made on basis of engagements made previous or subsequent to the formation of this

agreement; but each party shall have the right at the end of each month to give a four-weeks' notice of withdrawal from this agreement.

Bremen, March 10, 1894.

NORTH GERMAN LLOYD,
WIEGAND. MARQUARDT.
HAMBURG-AMERICAN PACKET CO.,
G. WOLFF.
HOLLAND-AMERICA LINE,
REUCHLIN.
RED STAR LINE,
VON DER BECKE & MARSILY.

Mr. FRANKLIN. This agreement is made abroad and operated entirely from abroad, over which we have no jurisdiction or control here.

The CHAIRMAN. State whether or not this agreement is in operation now.

Mr. FRANKLIN. What?

The CHAIRMAN. Is this agreement in operation now?

Mr. FRANKLIN. This agreement, to the best of my knowledge and belief, is in operation now.

The CHAIRMAN. It is dated Bremen, March 10, 1894?

Mr. FRANKLIN. It is dated, as you say, Bremen, March 10, 1894. This is the basis of what they are doing now. This is the basis of the westbound continental agreement.

The CHAIRMAN. And is signed by the North German Lloyd, the Hamburg-American, the Holland-American, and Red Star Line?

Mr. FRANKLIN. Right, sir.

The CHAIRMAN. Any other lines?

Mr. FRANKLIN. The same lines, or what is known as the N. D. L. V. agreement.

Mr. HARDY. Translate the letters, please.

Mr. FRANKLIN. It is German—Nordatlantischer Dampfer-Linien Verband—and it means North Atlantic Steamship Lines Association.

The CHAIRMAN. State whether or not there are any other agreements than this one which you have furnished to the committee.

Mr. FRANKLIN. I beg your pardon.

The CHAIRMAN. State whether there are any other agreements than this one which you have furnished to the committee.

Mr. FRANKLIN. In the north continental pool? In the westbound business I know of no other agreements except this that I mentioned this morning, and I have not any copies of those. I only mention them to you as the different groups.

The CHAIRMAN. State whether or not there is any relationship between this conference—that is, the north continental conference—and the Baltic. We have some evidence that that is also a Baltic conference.

Mr. FRANKLIN. You mean westbound?

The CHAIRMAN. Westbound.

Mr. FRANKLIN. Oh, I know of none. I know of no relationship; I do not know anything about the Baltic.

The CHAIRMAN. What do you understand to be the terms of the agreement or understanding between what you call the United Kingdom lines, the English or British lines, and the French lines?

Mr. FRANKLIN. I know of no agreement between the United Kingdom lines and the French lines, except I understand there is an

understanding regarding minimum rates from the Channel ports. I know of no pool or anything more than that between the French Lines and the United Kingdom lines, or the lines from French ports and the United Kingdom lines.

The CHAIRMAN. That is with reference to first and second class passengers?

Mr. FRANKLIN. Oh, I thought you meant with reference to freight?

The CHAIRMAN. Well——

Mr. FRANKLIN. With reference to freight I am talking of.

The CHAIRMAN. Then I understand there is no pooling arrangement with reference to first and second class passengers?

Mr. FRANKLIN. In no trade that I know of.

The CHAIRMAN. And that pooling agreement——

Mr. FRANKLIN. The only pooling agreement regarding passenger business that I have ever heard of pertains entirely to third-class business.

The CHAIRMAN. Is there any arrangement or pool between the lines in the north continental conference and the lines in the United Kingdom conference?

Mr. FRANKLIN. Not to the best of my knowledge and belief.

The CHAIRMAN. Is there any agreement or understanding between them that the one is to keep out of the other's territory?

Mr. FRANKLIN. I do not know whether there is any agreement to that effect, but I think it is clearly understood that they must not cut rates in that territory; if they did, there would be trouble.

The CHAIRMAN. None of your lines controlled by the International Mercantile Marine run ships from Hamburg, do they?

Mr. FRANKLIN. No; we have no ships running from Hamburg.

The CHAIRMAN. Nor from Bremen?

Mr. FRANKLIN. Nor from Bremen.

The CHAIRMAN. Nor from Antwerp?

Mr. FRANKLIN. Oh, yes; from Antwerp we have the Red Star Line and Havre that we run from Baltimore to Havre. I think, Mr. Chairman, it is only fair in that connection to bring out before you this feature of that case: That one very important factor and reason why the various lines are competing from port to port, like going into Bremen—like the Red Star Line there, for the sake of argument—is that the capital required on these lines, in order to keep up with their trade and development of their trade, is so great that it is all the lines can do to develop rapidly enough to take care of their own business. The history of the steamship business is practically that where you have combined freight and passenger steamer, which is the most economical steamers, that you are constantly changing your type of steamer. You are required every day to handle more and more tonnage. For the sake of argument, the Red Star Line steamers, which were up to date and extremely satisfactory in 1902, are now being renewed and replaced wherever they can replace them. We want, therefore, four or five steamers to-day more than we can furnish money to supply, and that is the reason. There would be no object in our branching out and considering for one moment going into the Bremen trade and attacking the Bremen interests when we can not take care of our own development, and we would go in there with an inefficient service and be competing for somebody else's business when we can not take care of our own properly.

Mr. HARDY. Practically like as if a Washington merchant whose business was growing beyond his capacity almost were to open up a store in Baltimore?

Mr. FRANKLIN. Exactly, when the finances could not take care of his own development, when he could invest all the money that he can command in the development of his own business here.

Mr. HARDY. And that has a large deal to do with the division of the territory that falls in natural lines?

Mr. FRANKLIN. It is natural development of the business. These lines have grown up in their ports; they have developed as rapidly as they could. The business is developing rapidly; they are anxious to supply the steamers to take care of their business. Their only difficulty is in getting money from time to time to finance it.

Mr. HARDY. That, however, does not account for the sameness of the freight or passenger rates from Havre and from Hampton to New York; that is an agreement?

Mr. FRANKLIN. Passenger rates?

The CHAIRMAN. Yes.

Mr. FRANKLIN. All ports to New York, practically, of first and second class; but, mind you, those rates apply on every different kind of steamer, as a different rate of—

Mr. HARDY. A certain kind of steamer from South Hampton would give one rate, and the same kind of steamer from Havre would give the same rate?

Mr. FRANKLIN. If you could get a parallel type of ship; yes.

Mr. HARDY. But it is intended—

Mr. FRANKLIN. In the first place, it depends upon the age and the speed of the ship.

Mr. HARDY. It is all intended to equalize conditions?

Mr. FRANKLIN. To try to equalize conditions as much as we can.

The CHAIRMAN. Referring to the Mediterranean trade, state whether or not there is a conference.

Mr. FRANKLIN. Passenger or freight?

The CHAIRMAN. On westward traffic.

Mr. FRANKLIN. Freight?

The CHAIRMAN. In passenger and freight.

Mr. FRANKLIN. Well, as I stated this morning, there is a west-bound freight agreement from the Mediterranean ports. There is also a third-class passenger agreement on west bound, and a good many of the steamers operating in the Mediterranean trade have their minimum first-class rates.

The CHAIRMAN. How is that regulated? Where is the conference held?

Mr. FRANKLIN. The conference meeting regarding the Mediterranean passenger, you mean, or the freight?

The CHAIRMAN. Freight.

Mr. FRANKLIN. I think they were held in Naples; I am not quite sure.

The CHAIRMAN. State whether or not there is a deferred freight agreement as to rebate—speaking about the freight business.

Mr. FRANKLIN. Freight?

The CHAIRMAN. A deferred rebate agreement in the westward traffic.

Mr. FRANKLIN. Not that I know of. I have never seen the west-bound Mediterranean agreement to my knowledge. You have that, I think.

The CHAIRMAN. State whether or not there is a definite rebate agreement—we are speaking about freight—in the westward traffic.

Mr. FRANKLIN. Not that I know of. I have not seen the west-bound Mediterranean agreement, to the best of my knowledge, about freight. You have that, I think?

The CHAIRMAN. Now, we will take up the eastward traffic from the United States. You may tell the committee whether or not there are any agreements or understandings between the lines of the International Mercantile Marine and other lines as regards the United Kingdom first; that is, eastbound traffic from the United States to the United Kingdom.

Mr. FRANKLIN. The eastbound traffic from the United States to the United Kingdom, particular the northern part of the United States—northern ports—is handled largely as I described in our replies. The representatives of the various lines running to Liverpool meet, discuss their rates, and they file or notify each other of their minimum rates upon certain commodities. Minutes of those meetings are kept, and I have submitted to you a copy of the last meeting, which was held, I think, in September. Now, these rates are subject to change on certain notice, in some instances 30 days and in some instances 60 days. They cover only certain commodities; they do not cover the great bulk of traffic, which consists of grain, flour, oil cake, cotton, and other bulky commodities. They only cover miscellaneous traffic.

The CHAIRMAN. What you would call package freight?

Mr. FRANKLIN. Package freight. What we call general cargo—manufactured goods, etc.

Mr. HUMPHREY. Is the minimum rate fixed——

Mr. FRANKLIN. In each case these gentlemen file—the freight representatives file what they say is the minimum rate under which they say they will not go without further notice.

Mr. HUMPHREY. Does that include the general cargoes that you have mentioned?

Mr. FRANKLIN. It includes manufactured articles and certain other staples, of which you have a copy there, but it does not include these large bulky commodities.

Mr. HARDY. What it does include is the high-priced freight?

Mr. FRANKLIN. More the high-priced freight, on which the shippers as well as ourselves are anxious to have fixed and stated rates that are the same to all and apply equally to everybody.

Mr. HARDY. That enables you to fill up a vessel, when you have a large amount of empty space, at your discretionary terms?

Mr. FRANKLIN. It enables you to take the bulky stuff for the vessel at rates that you like. This is only the cream of the traffic.

Mr. HARDY. You have no agreement with reference to that at all?

Mr. FRANKLIN. We have no agreement with reference to any of those bulk stuffs except as outlined therein; minimum rates in some cases, but no agreement regarding grain whatsoever, except that each line agrees that they will not take more than 12 loads of grain at a rate less than a penny-halfpenny—that is, 3 cents—a bushel.

They can make any rate they want, but they must not exceed 12 loads on one ship—that is, 8,000 bushels to the load, 96,000 bushels.

Mr. HUMPHREY. What do you mean by a load?

Mr. FRANKLIN. Eight thousand bushels to the load. That is a trade term.

The CHAIRMAN. The purpose of that is that the ships may be provided with the ballast freight?

Mr. FRANKLIN. The license in that regard is that a man has to have grain for certain ships even if he has to buy it. I will not say frequently, but we have paid for grain.

Mr. HUMPHREY. You have carried wheat for nothing?

Mr. FRANKLIN. We have carried wheat for nothing, and we have paid for it; we have paid for the privilege of carrying it. We all have certain steamers that must have a certain amount of dead weight before they can sail. That is the reason that agreement is outlined there, that you can take any quantity up to 12 loads at 3 cents a bushel.

Mr. HARDY. Have you any agreement fixing rates on cotton from this country to Liverpool?

Mr. FRANKLIN. No agreement whatsoever.

Mr. HUMPHREY. No limit on the amount you may take?

Mr. FRANKLIN. No limit on the amount we can take.

Mr. HUMPHREY. No restrictions whatever in the cotton trade?

Mr. FRANKLIN. I know of no agreement in the cotton trade. The only thing I could say regarding the cotton trade is that our people in Galveston, if they break a cotton rate, will advise our people in New Orleans that they are breaking it, so that they can keep their rate at the same in the Texas and the other territories, but there is no agreement on it whatsoever.

Mr. HARDY. Just a practice of notification from one to the other?

Mr. FRANKLIN. The practice is that if our representative in Galveston, who is representing the same interest as in New Orleans, is going to break his rate he will drop a telegram to the man in New Orleans, "I am going to make my rate at a certain time 47 cents."

Mr. HARDY. Is there anybody but your people that run out of Galveston carrying cotton?

Mr. FRANKLIN. Yes.

Mr. HARDY. Do these other interests notify you when they break the rate?

Mr. FRANKLIN. Not necessarily. There are two friendly interests running out of both ports.

Mr. HARDY. Galveston and New Orleans?

Mr. FRANKLIN. Galveston and New Orleans. The Harrison and the Leyland Lines.

Mr. HARDY. And they have the same rates?

Mr. FRANKLIN. They try to maintain about the same rates.

Mr. HARDY. But they do it without any written agreement?

Mr. FRANKLIN. They have no written agreement regarding these rates except they have this understanding, which is just as good as a written agreement, that the moment that rate is broken the other port is advised.

Mr. HARDY. By either the Leyland or the Harrison?

Mr. FRANKLIN. By either the Leyland or the Harrison. In Galveston, with the Leyland and the Harrison, is the Gulf Transport

Line, which is a line of not so many sailings, but it is a good line. In the case of Galveston there would be three lines; in the case of New Orleans two lines that are working closely together, but I do not know of any written agreement except what I have described and that is they keep each other posted. And that is very necessary because there is a great deal of the cotton that is moved from both ports that is competitive from a certain territory.

Mr. HARDY. How are those rates originally instituted?

Mr. FRANKLIN. They are guided and governed and made entirely on the basis of what tramp steamers can be chartered at. They constantly have tramp competition.

Mr. HARDY. But having once established a rate, then they are only changed in the way you speak of?

Mr. FRANKLIN. Yes; they are changed in this way. If they have once established a rate, and the Galveston representatives, for the sake of argument, make up their minds that the cotton situation is such that they must reduce their rate there for reason of acquiring cargo or because of tramp steamers coming in against them, the moment that condition arises the only thing they have to do is to telegraph to the other man that they are doing it.

Mr. HARDY. Then that stays in force until there is another change?

Mr. FRANKLIN. Until there is another change. It is entirely a question of supply and demand.

Mr. HARDY. The competition only arises from the tramp ship that comes in occasionally?

Mr. FRANKLIN. No; there are three or four important companies—Booth & Co., of Liverpool; Elder, Demster & Co., of Liverpool, which is controlled by the Royal Mail which is a very large factor.

Mr. HARDY. Don't they have the same rates as your two lines?

Mr. FRANKLIN. No.

Mr. HARDY. You have no agreement with them at all?

Mr. FRANKLIN. No.

Mr. HARDY. Do not notify each other?

Mr. FRANKLIN. No.

Mr. HARDY. But you find out what they are charging and may lower your rates to meet it?

Mr. FRANKLIN. We will know within a minute if they change their rates—or five minutes. But there is no agreement between Elder, Demster & Co., to the best of my knowledge and belief, and ourselves whereby rates are fixed. They may exchange views. If one decides to break they may as a matter of courtesy advise the other, but frequently they do not.

Mr. HARDY. As a matter of result, however, do you have practically the same rates?

Mr. FRANKLIN. As a matter of final result, yes; but as a matter of competition the rates are frequently changed by one without notifying the other.

Mr. HARDY. But that does not last long?

Mr. FRANKLIN. It can not last long.

Mr. HARDY. They get together?

Mr. FRANKLIN. It is not a question of getting together; it is simply a question of putting your rate parallel to his rate.

Mr. HARDY. It is not a question of getting together but being together?

Mr. FRANKLIN. It is not a question of getting together but being together—you are forced together. Put it that way. The competition in all the southern ports is a matter of tramp steamers for the reason that the cotton trade moves in large bulk at certain seasons of the year and moves in full cargoes and makes a very different situation and a very much more competitive situation——

Mr. HARDY. It is an inviting field for the individual tramp steamer——

Mr. FRANKLIN. And it is a season's business. It is a business that the tramp steamer can very well engage in to much better advantage than he can engage in any general cargo business where you have to have regularity of service.

Mr. HUMPHREY. Is there any combination or agreement or understanding between these tramp steamers with regard to rates?

Mr. FRANKLIN. I have never heard of any. They are taken by charterers, you know.

Mr. HUMPHREY. That may seem like a strange question, but I know, as a matter of fact, there is an agreement among the sailing vessels on the Pacific coast which is just as ironclad, and it is also signed by the parties just like the one in the North Atlantic passenger business.

Mr. FRANKLIN. That is true, but the reason I say there can be no agreement with the tramp cargo steamer is this: I can go in tomorrow and take 15 tramp steamers for three months, and I have no limit as to where, when, or how I send those steamers. I can send them out to China, just so I get them back within the period. Therefore, I do not see the slightest possibility of the tramp steamers making an agreement of that kind.

The CHAIRMAN. In that class of trade like cotton, where they get bulk cargoes, there is real competition between the tramp steamers and the regular lines?

Mr. FRANKLIN. There is an active competition from all those cotton ports between the tramp steamers and the regular lines.

Mr. HARDY. In this connection, I wish you would define a tramp steamer.

Mr. FRANKLIN. A tramp steamer is a steamer that is owned by a firm or company that did not build that steamer and is not operating her in a regular line. She is ready to go wherever she can make the most money. She is not in a regular line; she has probably never been operated in a regular line. She is open for the world's commerce.

Mr. HUMPHREY. Is not a tramp steamer, Mr. Franklin, any steamer that is not run on a regular line?

Mr. FRANKLIN. That is so, except this, that if a regular line had a little surplus tonnage and therefore chartered that tonnage for six months, she would not be known to the trade as a tramp steamer; she would be known as "a Dominion Line ship coming down here," or something of that kind. But there are owners who are very well known who have nothing but steamers that they charter for any trade and every trade, for a single trip, for a month, or a year, or five years, and wherever they want to send her.

Mr. HUMPHREY. I wish you would explain to me just exactly what is meant by a time charter. I have heard it spoken of frequently, but I want the exact definition.

Mr. FRANKLIN. A time charter is the case where a steamer is taken by anybody and he has entire control. It is taken for a period; whether it is three months or three years, it does not make any difference. The charterer entirely controls the movements of the steamer. He pays all of her expenses except the wages of the crew, the salaries of the officers and their food, and the ropes and the oil. The charterer pays for the coal and everything else.

Mr. HUMPHREY. Does he pay so much a trip or so much a month?

Mr. FRANKLIN. So much a month on the gross registered tonnage or any other basis agreed upon by the two.

Mr. HUMPHREY. Just the same as if a man hires a team and a driver for a specified time?

Mr. FRANKLIN. For a month, say, except that the liveryman in that case supplies the oats, whereas in a time charter he does not.

Mr. HARDY. The other charter is a charter by the trip?

Mr. FRANKLIN. The other charter is a charter by the voyage. If a man in Galveston wants to take five steamers for next October to load cotton to Liverpool he can take them by the voyage only at so much a ton.

Mr. HARDY. What do you call that; a voyage charter?

Mr. FRANKLIN. Just for the voyage. Now, it is very probable that as the miscellaneous traffic from Galveston and New Orleans and other southern ports increases, the regularity of their service will increase, and the gradual absence of the tramp steamer will begin to appear at those particular points, as no doubt to-day there are fewer tramp steamers loaded to Liverpool than any other port.

The CHAIRMAN. Because they have regular service?

Mr. FRANKLIN. They have so much tonnage on the regular services and they have such big ships; they are the largest ships in the world.

The CHAIRMAN. Referring again to the agreement by which 12 loads of grain may be carried by a steamer at any one time at less than the minimum, does that apply to any other commodity than grain?

Mr. FRANKLIN. No; not to the best of my knowledge and belief. While we are on the subject of New Orleans, I would like to refer to that testimony of Mr. Lowry the other day and say that the Leyland Line is not in any way interested in the South American trade, and any steamers they had in South America that were bound to the Gulf had simply been sent out to South America in the off cotton season with a load of coal, to discharge it there and go up to the Gulf to load cotton home. That is the reason they have never been in the market for the South American northbound cargoes, and probably never will be.

The CHAIRMAN. Is that agreement in writing with reference to the minimum grain rate?

Mr. FRANKLIN. I think it is in that Liverpool agreement I filed with you.

Dr. HUEBNER. You filed only one agreement with us.

Mr. FRANKLIN. I mean "minutes."

Dr. HUEBNER. Oh, yes.

Mr. FRANKLIN. That is the only thing we have.

The CHAIRMAN. We will take up next the eastward traffic to the north continental points. State whether or not any of the vessels

owned or controlled by the International Mercantile Marine are in the service from ports in the United States to Hamburg.

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Are they in the service to Bremen?

Mr. FRANKLIN. No, sir; except at times they may load from the Gulf with cotton to Bremen.

The CHAIRMAN. As I understand, though, not north of Savannah, or including Savannah?

Mr. FRANKLIN. No.

The CHAIRMAN. Do they go to Antwerp or Rotterdam?

Mr. FRANKLIN. They go to Antwerp, but we have no steamers running to Rotterdam from the United States.

The CHAIRMAN. But the International Mercantile Marine now controls one of those what we now call Dutch lines, does it not?

Mr. FRANKLIN. The International Mercantile Marine Co. owns the Red Star Line, which is the line from the United States to Antwerp, and it also owns 25 per cent of the stock of the Holland-American Line, which is the line to Rotterdam.

The CHAIRMAN. Is there any understanding or arrangement between the two companies, your line running to Antwerp and the other line running to Rotterdam?

Mr. FRANKLIN. No; there is no arrangement. I could quickly say "No" to that question, but I think it is only fair to say that there is an understanding that we would not run from the other side out.

The CHAIRMAN. That is, westward?

Mr. FRANKLIN. Westbound; yes.

The CHAIRMAN. The Red Star Line is in the North Atlantic conference pool, is it not?

Mr. FRANKLIN. Yes; the Red Star Line is in the westbound continental freight agreement, if that is what you mean.

The CHAIRMAN. Is the Leyland Line, which operates to New Orleans, in this continental conference on westbound traffic?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. What different lines are in the conference on eastbound traffic from the United States?

Mr. FRANKLIN. Do you mean from the United States to Liverpool or to London?

The CHAIRMAN. Yes; take Liverpool.

Mr. FRANKLIN. They are mentioned in those minutes that I gave you. I can read them right off for you. I have them here. They are as follows:

Liverpool: Allen Line, Montreal; American Line, Philadelphia; Canadian Pacific Line, Montreal; Chesapeake & Ohio Steamship Lines, Newport News; Cunard Line, New York; Furness Line, St. Johns; Johnston Line, Baltimore; Leyland Line, Boston; The Warren Line, Boston; White Star Line, New York; White Star-Dominion Line, Montreal, Portland, and Liverpool.

I think, Mr. Chairman, I might like to say that we have heard several times that the east as well as the westbound rates were all controlled abroad, but the eastbound rates are all practically controlled here.

The CHAIRMAN. In what way?

Mr. HUMPHREY. You are speaking of trade between here and Europe?

Mr. FRANKLIN. Trans-Atlantic trade.

The CHAIRMAN. Do you mean by conference in New York?

Mr. FRANKLIN. No; I mean by people on this side. Then they work them out in this way. The Liverpool lines, which we have just mentioned, their representatives will meet at 17 State Street, and there will discuss the situation, and notify certain minimum rates below which they will not go on the commodities that are mentioned in the minutes before you. Those are subject to change. Any line can notify that at the end of a certain period it is going to change its rates.

Mr. HUMPHREY. How long does that notice have to be?

Mr. FRANKLIN. It gives it here [indicating]. It is 60 days' notice.

The CHAIRMAN. Suppose they object?

Mr. FRANKLIN. It has to be unanimous.

The CHAIRMAN. If a rate is increased it must be by common consent? If it is reduced it must be by common consent?

Mr. FRANKLIN. No; he can withdraw. That ceases to be unanimous—that rate. That settles it.

The CHAIRMAN. He has got to get out of the conference, then?

Mr. FRANKLIN. No; only as far as that commodity is concerned.

Mr. HUMPHREY. I do not quite understand that.

Mr. FRANKLIN. Let me explain it, and take a specific case. If the Furness Line, running from St. Johns—the agreed rate upon apples from St. Johns is 2/9 per barrel. If the Furness Line there makes up its mind that 2/9 is either too high or too low—it does not make any difference which way it is—it can give 60 days' notice. It can say that 60 days from now we are going to make our rate 3 shillings or 2/6. The lines can all object to that, and they can say, "Let us have a meeting and discuss it," but they can not compel, after 60 days, the Furness Line to maintain any rate other than the rate it wants to maintain.

Mr. HUMPHREY. Suppose at the meeting they decide that they will not consent to it? Then does the line go ahead and do it anyway?

Mr. FRANKLIN. It does it anyway.

Mr. HUMPHREY. Is there any penalty attached?

Mr. FRANKLIN. There is no penalty.

The CHAIRMAN. Does that often occur?

Mr. FRANKLIN. I will not say that occurs in just that way, because when a man makes a change in the rate he generally has some good reason for it, and he can get up and explain it to them in a way that they will all say you can change or you can not change it.

Mr. HARDY. You said he went on anyhow after 60 days. Do you mean his agreement prohibits him from assuming that right until after 60 days has expired?

Mr. FRANKLIN. Until after 60 days have expired.

Mr. HARDY. Then he goes and does as he wishes?

Mr. FRANKLIN. Yes.

Mr. HARDY. But he is bound not to act independently until after 60 days have expired?

Mr. FRANKLIN. Until after 60 days have expired. He has filed this rate, which he says he will not change until 60 days have expired, subject to withdrawal.

Mr. HARDY. When he has done that he is no longer a member of the company?

Mr. FRANKLIN. Oh, yes; he may be bound on all the other rates. He can give notice for every one if he wants it, or he can give it on one or two.

Mr. HARDY. So it does not put him out just to break over in any one place?

Mr. FRANKLIN. No; it does not put him out. But on some fellow who might be hurt and who might get angry and kick over the traces on everything, I do not say that might not occur.

Mr. HUMPHREY. In practice it does not very often occur that one line does what the others object to?

Mr. FRANKLIN. Not as a rule, because it is generally a reasonable thing that can be discussed and worked out. These rates are all on commodities that are such that there is no fluctuation in the rate or necessity for it.

Mr. HUMPHREY. In discussing it, you go by the rule, "One for all and all for each?" That is the theory on which you go?

Mr. FRANKLIN. Really each man is for himself, but he does not want to upset the whole situation unless his benefit is going to be very great. That is about the way it is, and you will always have some other point on which you might be able to get back at on him.

The CHAIRMAN. The Phoenix Line operates from the United Kingdom to New York, does it not?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Where does it operate?

Mr. FRANKLIN. From Antwerp to New York.

The CHAIRMAN. Is there any agreement between that company and the Red Star Line, the International Mercantile Marine Line, in reference to trade westward from Antwerp?

Mr. FRANKLIN. Yes; there is an agreement there. They have a rate agreement.

The CHAIRMAN. Can you give us the terms of it?

Mr. FRANKLIN. No; I could not give you the terms of it, except that in a general way they simply fix rates. It is a differential route to a large extent.

The CHAIRMAN. Do you know whether or not that agreement is in writing?

Mr. FRANKLIN. That I could not tell you.

The CHAIRMAN. Could you get it for us and ascertain the fact?

Mr. FRANKLIN. I can try it.

Mr. HUMPHREY. Are there any rebates in this North Atlantic trade?

Mr. FRANKLIN. I know of no rebates.

The CHAIRMAN. Does the Castle Line operate from Antwerp to Galveston?

Mr. FRANKLIN. I do not think they do—the Union Castle Line?

The CHAIRMAN. Yes.

Mr. FRANKLIN. I never heard of them operating there.

The CHAIRMAN. Do you know where they do operate?

Mr. FRANKLIN. To South Africa, largely.

The CHAIRMAN. That is, from European points to South Africa?

Mr. FRANKLIN. The Union Castle Line.

The CHAIRMAN. Is there a Castle Line?

Mr. FRANKLIN. I do not know of a Castle Line. They are the Chambers ships, these gentlemen say. I do not know anything about

it. There are large ships "Castle" so-and-so, and "Castle" so-and-so. I believe that is the line.

The CHAIRMAN. The reason I ask you that question is that we have information that there is an agreement between the International Mercantile Marine and the Castle Line. We wished some definite information about it if it was possible.

Mr. FRANKLIN. Operating between what ports and in what trade?

The CHAIRMAN. I am unable to say.

Dr. HUEBNER. European points to Galveston.

Mr. FRANKLIN. I feel very confident there is no such agreement. That is all I can say. They might have it.

The CHAIRMAN. You know nothing of it?

Mr. FRANKLIN. I know nothing at all about it.

Mr. HUMPHREY. Mr. Franklin, I wished to ask you about another phase of this question on the North Atlantic. Do the lines have any agreement or arrangement to fight an independent line?

Mr. FRANKLIN. No, sir; none.

Mr. HUMPHREY. Do they resort to methods——

Mr. FRANKLIN. Are you talking about freight or passenger?

Mr. HUMPHREY. I am talking about both, on this North Atlantic trade, the trade between the United States and Europe.

Mr. FRANKLIN. The passenger ramifications resulted in their agreeing to take certain action against a competitor, which was practically joint action, and which was taken. But as regards freight, I know of no such arrangement.

Mr. HUMPHREY. Do you know about the fight that was made on Peter Wright & Sons—I do not recall what was the name of the line—that ran across the North Atlantic here a few years ago? My recollection is that was both passenger and freight.

Mr. FRANKLIN. No; my recollection, if I am correct in what you are speaking of, is this, that Peter Wright & Co. had what was known as the Cosmopolitan Line, I think it was.

Mr. HUMPHREY. Running from Philadelphia?

Mr. FRANKLIN. Running from Philadelphia to Rotterdam.

Mr. HUMPHREY. I think that is the line.

Mr. FRANKLIN. As far as the eastbound situation is concerned, the Rotterdam Line competed with them actively. As far as the westbound situation is concerned, the Rotterdam Line competed with them also in the same way, because they were running from port to port—the same ports—but the only other situation that would come in there would be this: That if a shipper went and asked for a contract from Bremen, Rotterdam, Hamburg, and Antwerp he would be told, "You must confine all your Rotterdam business to the Rotterdam Line instead of giving it to the Cosmopolitan Line." Do I make that clear?

If you want the general situation, that is the only way the other lines could be brought into it.

Mr. HUMPHREY. In that particular fight, in fighting that line, does not the conference resort to the usual method of employing fighting ships?

Mr. FRANKLIN. I never heard of that. The result of that was the Rotterdam Line was in active competition with the Cosmopolitan Line, and the Rotterdam Line owned their own ships. The Cosmopolitan Line, as I said, did not own any ships; they got another owner to put ships in their force under time charter; then he left

them in. A line of that kind can not compete in that way with an established line. They must go in on the same basis as an established line in order for it to be a fair competition.

Mr. HUMPHREY. As far as you know, then, the lines in the conference generally did not take part in that fight?

Mr. FRANKLIN. I knew of no action except the one I have described to you. I know all the lines regretted the activity at the time, or whatever you might call it, on the westbound situation; but as far as any joint action of the eastbound, or anything of that kind is concerned, I have no knowledge whatsoever; I never heard of it.

Mr. HUMPHREY. I heard the petitions in that case when they brought it before the Interstate Commerce Commission, as I recall, but it has been some years ago, and I only remember in a general way the allegations, but I am reasonably clear that the allegations made in that petition were that the conference lines then employed the usual methods followed, by engaging fighting ships to follow them from port to port.

Mr. FRANKLIN. No; I do not think that I heard that. I had several talks with Mr. Neal, of Peter Wright's, about that at that time, and the Rotterdam Line would have given them regular ships if they wanted them for their service, and offered them regular ships for this service. I know all about that. I was in touch with it. The Rotterdam Line offered to put steamers in there.

Mr. HUMPHREY. I thought perhaps you might know.

Mr. FRANKLIN. Well, my recollection on that is, I do not remember at all any eastbound competition carried out in any other way except by the Rotterdam Line.

Mr. HUMPHREY. I should like to have you, if you will, to go a little bit further into the question as to how you fix freight rates east bound. You were interrupted in that a while ago.

Mr. FRANKLIN. I wish to say that my remarks here refer to the Rotterdam Line. Of course the Cosmopolitan Line had Scandinavian service, which was competed with by the Scandinavian Line; that is a different service; I was talking about the Rotterdam Line.

Mr. HUMPHREY. I do not know whether the other members of the committee have heard all they wish on that point or not, but I thought you were interrupted while you were telling us how the freights east bound were fixed—how the rates were made. You said they were fixed in this country and started to tell us how.

Mr. FRANKLIN. They are fixed in this country for specific ports. The Liverpool lines meet, as I outlined, and named the lines around a table. There representatives meet and they discuss the rates, and they file, or, rather, they notify the minimum rates below which they will not go, and then a compilation of those rates is tabulated into a form, which we call the minutes, and that is the form which I submitted to the committee.

The CHAIRMAN. We have copies of that.

Mr. FRANKLIN. We sent copies down to the committee. Now, those are minimum rates on commodities mentioned here.

Mr. HUMPHREY. Do you have any agreement or understanding in regard to territory; that is, that certain lines shall go into certain ports, or that you shall run a certain number of vessels, or that you shall in any way divide the business?

Mr. FRANKLIN. There is no limiting of ports and no limiting of vessels of tonnage, or anything of that kind.

Mr. HUMPHREY. Is there any practice of that kind?

Mr. FRANKLIN. No; in practice it works out. Were you here when I explained the capital situation?

Mr. HUMPHREY. No; I was not.

Mr. FRANKLIN. I should like to just go over that briefly. That is this, that each of these lines have grown up in the ports in which they are, have built themselves up, and their trades have developed so rapidly and their requirements and the evolution of the type of ship has been so great that none of them to-day have as much money or capital as they ought to use to develop their own business; therefore there is absolutely no incentive for them to go over and attack somebody else's business, which is bound to result in a loss for a long time, when they are not taking care of their own business.

Mr. HUMPHREY. In other words, there is no tendency and no reason for fighting for each other's territory, is there?

Mr. FRANKLIN. There is no reason. For instance, take our Liverpool trade. We are adding just as fast as we can to that. In 1902 we had steamers which we thought were absolutely right for that trade. Those steamers to-day we consider absolutely obsolete. We are trying to replace those steamers. Every bit of money we can get will go into ships. We would not be foolish enough to attempt to put on a line anywhere else, when we know we would lose money, when we can not attend to our business, to our own trade, and take care of it as it should be taken care of. There is no agreement necessary to make one adhere to his own port.

Mr. HUMPHREY. I can well understand that under the circumstances there would be no necessity.

Mr. FRANKLIN. If there is new business to come up, that is a different thing. If we were all trying to fight out into new business, that would be a different thing.

The CHAIRMAN. Mr. Humphrey has referred to the fighting ship. I have heard a good deal of that in one way and another and statements to this effect, that the conference lines in a certain trade would enter into an agreement or understanding by which they would employ ships in certain trades to fight out competition. If a new line should come into the trade they would employ this ship, even at a loss, until that line should be compelled to quit; for instance, into Galveston. Now some of the conference lines run ships into Galveston. Suppose some ambitious corporation or individual should undertake to run a line of ships out of Galveston and seriously engage in competition with the established lines there now controlled by the conference. Is it true at the present time that that is a part of their policy and that they have an organization under which they can put fighting ships in there to drive that ship or those ships out of that trade?

Mr. FRANKLIN. I know of no agreement in existence to-day of that kind. You use Galveston as an example which is purely a freight port, and I know of no agreement to-day whereby that would be done against any freight service or in connection with freight matters.

Mr. HARDY. Did you read Mr. Storey's testimony with reference to his mention of the Munson Line and his belief that that line put its ships into New Orleans?

Mr. FRANKLIN. He said they put them out of Mobile.

Mr. HARDY. Out of Mobile I believe it was; yes.

Mr. FRANKLIN. Of course, that is South American trade. I read his testimony there, but we are not in the South American trade, so I could not testify from my knowledge as to that.

Mr. HARDY. Your opinion, then, would simply be your reasoning about it?

Mr. FRANKLIN. I have no idea about that; but I could say this, that so far as Mr. Storey's line is concerned, which is entirely a chartered ship line, it had absolutely no chance against the regular lines.

Mr. HARDY. I thought possibly you might know something of the relation of the Munson Line with reference to that transportation there?

Mr. FRANKLIN. I could not tell you anything about that. Yes; Mr. Storey used the expression that he thought the Munson Line was simply a fighting-ship proposition. I know nothing at all about that.

The CHAIRMAN. Are any fighting ships employed by the conference lines in the North Atlantic?

Mr. FRANKLIN. They have been in the past; yes, sir. They were up to—well, I have forgotten just when it was discontinued, but only recently. The fighting ships were put on—we called them protective ships—but it is simply a question of somebody coming in and taking your business away from you and your competing with them in what you consider the most efficient and effective way.

Mr. HARDY. And those fighting ships were supported by the whole conference, were they not?

Mr. FRANKLIN. The other members of the conference. Mind you, it was only third-class passenger business that was affected. The other members of the conference contributed to make up the difference between the rate named and the tariff rate.

Mr. HARDY. Or between the rate named and the losses?

Mr. FRANKLIN. No; not the losses. The ship might be run at a loss. That is the difference in the point; the ship might make a loss.

Mr. HARDY. It was to make up the difference simply between the rates named and the regular tariff?

Mr. FRANKLIN. Yes; on the third-class passenger business only.

The CHAIRMAN. For instance, this fighting ship carried immigrants at \$30 a head?

Mr. FRANKLIN. Yes, sir.

The CHAIRMAN. And your rate was \$40 a head?

Mr. FRANKLIN. That is right.

The CHAIRMAN. Then they would go in against this competing line and charge a less rate, so as to get the traffic, then you would make up the difference between the \$40 and the rate they actually got?

Mr. FRANKLIN. Yes; but the ship might make a loss. That was nobody else's business.

Mr. HARDY. Even if it made a profit, you still gave them back the regular rate?

Mr. FRANKLIN. We gave them back the regular rate.

Mr. HARDY. But you did not have any such program as to freight?

Mr. FRANKLIN. No.

Mr. HARDY. And you say you never have had that?

Mr. FRANKLIN. I never had any.

Mr. POST. How long since those fighting ships have been discontinued?

Mr. FRANKLIN. I would say about 6 or 8 months, or 10 months, something like that.

Mr. POST. What was the cause of their discontinuance?

Mr. FRANKLIN. The cause of the discontinuance was that, in the first place, it was purely a practical matter. A great majority of the people on this side of the Atlantic thought it was a mistake from an operating point of view; the result, from a practical point of view.

Mr. HARDY. I suppose it might be fair to assume, or is it, that public sentiment had something to do with the change?

Mr. FRANKLIN. Public sentiment had a great deal to do with the withdrawal of that action, and the matter was developed in a different way from what the lines had ever looked upon that action before.

Mr. HARDY. I will ask you another question, although I do not know whether it is strictly in line with our purpose, but does this combination have a tendency to prevent the accumulation of undesirable immigration? If you had ships that were in competition, would they or not seek to fill their holds with any and every kind of immigrant?

Mr. FRANKLIN. There is nothing worse, from our point of view, who are interested in conducting the immigration situation as a whole, so it would be satisfactory to the United States, than to have a rate war, because a rate war means that you get rates down to \$10, \$11, or \$12, the result being a lot of people can buy tickets and come over here that otherwise would not come.

Mr. HARDY. That is one phase of the question, is it?

Mr. FRANKLIN. That is one phase of the question. Now, mind you, when I say that a good many people would not believe that, but you must remember this, we are not here only for to-day; we are here for the future, and the more things that are done by these lines, or by any movement of immigration that makes the immigration problem a more objectionable one, if you can use that term, the worse it is for us in the future. We are anxious to bring in the proper type of immigrant which the country needs, and nobody else.

Mr. HARDY. Do your immigration lines have any soliciting agents on the other side to hunt up the traffic?

Mr. FRANKLIN. No; we have agents all through the other side who are there ready to sell tickets, but there are certain laws by which we have to be governed in the solicitation of business.

Mr. POST. Each country has its different laws in that regard, has it not?

Mr. FRANKLIN. But what I am referring to are the United States laws. We can do a certain amount of solicitation, but it is limited. Of course, we have agents all through the Continent and Great Britain. We are anxious to do just as much business as we can legitimately do.

Mr. HARDY. You said that in the westbound traffic the minimum rates agreed to were practically the exact rates in use. How is it

with reference to the eastbound traffic? Are your minimum rates, as far as agreed on, practically the rates charged?

Mr. FRANKLIN. Except on certain occasions when the rates advance very rapidly and we go higher than the minimum rates.

Mr. HARDY. Then, you do have more exceptions to that regularity eastbound than you have westbound?

Mr. FRANKLIN. Yes; we do, for this reason, that we have a much more fluctuating situation eastbound than westbound.

Mr. HARDY. Westbound you stated your ships were rarely ever full?

Mr. FRANKLIN. Westbound I should just like to give you an example of some ships. Westbound our Atlantic Transport Line ships out of London in 1905, our average amount of empty space on each ship was 11,000 tons; our capacity was 14,000 tons per week. That runs along at about the same ratio. In 1911 it was 11,100 tons empty space.

Mr. HARDY. Out of 14,000 tons?

Mr. FRANKLIN. Out of 15,000 tons that year. In 1912 we had 8,900 tons of empty space as an average, as compared to a capacity of 14,000 tons.

Mr. HARDY. Right in that connection, while it may not be exactly in line, but you spoke of ships from London to Liverpool, westbound, being in that condition of emptiness. Why is that?

Mr. FRANKLIN. Simply because the importations to the United States are not anything like the exportations.

Mr. HARDY. Is that in value as well as in volume of business?

Mr. FRANKLIN. Yes; in value as well as in volume.

Mr. HARDY. Is that something like the proportion of imports to exports?

Mr. FRANKLIN. It is exactly it.

Mr. HARDY. While you take out 14,000 tons you bring back only 4,000 tons?

Mr. FRANKLIN. No; we take out a large amount. I can give you our average going out, which will clear up your question.

Mr. HARDY. Let us have that, if you please?

Mr. FRANKLIN. Our average amount of empty space going out in 1905 was 5,000 tons as compared to 10,000 tons coming in. In 1911 our average amount of empty space going out was 3,900 tons as compared to 11,000 tons coming in. In 1912 our average amount of space going out was 3,216 tons empty as compared to 8,900 tons coming in.

Mr. HARDY. So that you export somewhere between two and three times what you import, is that the fact?

Mr. FRANKLIN. That is right.

Mr. HARDY. Why is that?

Mr. FRANKLIN. That comes down to our tariff question largely, does it not?

Mr. HARDY. Go back to the other question, as to your eastbound freight. Does this empty space cause your minimum rate, eastbound, to be practically your maximum rate?

Mr. FRANKLIN. Yes; when we have an empty space, then our minimum rate is always our maximum rate, so to speak.

Mr. HARDY. And you have an average empty space of about one-fourth of your vessel going out?

Mr. FRANKLIN. Yes; about one-fourth of the vessel in this service, as I have outlined to-day.

Mr. HARDY. So that on the whole your minimum rate is your rate, with some exceptions?

Mr. FRANKLIN. On the whole, on the general cargo I have named you see there is not so much of a fluctuation in our minimum rate, but on the volume of traffic that we carry, the amount of traffic that we have minimum rates fixed on—that is, something like from 2,000 to 8,000 tons, or 2,000 to 9,000 tons, something like that.

Mr. HARDY. Do you mean that the freight is fixed only as to 2,000 tons out of 9,000?

Mr. FRANKLIN. Yes; or say one-third and two-thirds. To-day it would be less than that, for the reason there is a big volume of wheat moving and a big volume of corn.

Mr. HARDY. But the greater volume of your freight is always this material on which there is not any minimum rate, is it not?

Mr. FRANKLIN. I should say about 60 per cent.

Mr. HARDY. On the nonagreed freight?

Mr. FRANKLIN. That fluctuates.

Mr. HARDY. What is the difference in the rate of transportation east and westbound, for instance, what is the difference in the rate on the same—if there is any staple commodity you ship each way from Liverpool to New York—as compared with New York to Liverpool?

Mr. FRANKLIN. They are very much the same. I think they are very much the same on a similar article. Of course, you can not get the exact article, but on a similar article they are very much the same.

Mr. HARDY. You do not ship very much of the same kind of material both ways, do you?

Mr. FRANKLIN. No.

Mr. HARDY. How about your passenger rates?

Mr. FRANKLIN. The passenger rates both ways are identical.

Mr. HARDY. Either way?

Mr. FRANKLIN. Yes.

Mr. HUMPHREY. I should like to ask you one question on the passenger rates.

Mr. FRANKLIN. The passenger rates are identical for first and second class.

Mr. HARDY. The first and second class rates are the same, are they?

Mr. FRANKLIN. Yes, sir.

Mr. HUMPHREY. I ask you this because some gentleman, whose name I do not now recall, sent me a letter and sent me the folders showing the prices. He contended that the passenger rates were all fixed in foreign money, and that in translating the rate into our coin that invariably they would add the odd cent; that the odd cent was against the American; and he had it figured out there and showed that by that practice it had cost the Americans of this country for that year something over a million dollars for that more than it had cost the foreigners if they had done the same traffic. In other words, the item of the odd cent was all the time against the American traveler. I do not know whether that is true or not, and I have been trying to find out. It is a small matter in itself, but a

big one taking it in hand. I see the action is better again the other day, and it is better in its kind.

Mr. FRANKLIN. I really do not think there is anything in that, for this would mean the rates are lower in and down here on the dollars; that is what they mean by \$25 a day.

Mr. FRANKLIN. I am not sure. Your passenger rate?

Mr. FRANKLIN. Your passenger rate is \$25 a day, and you have the instructions to make it \$25 a day, and you have the instructions to make it \$25 a day, and you have the instructions to make it \$25 a day.

Mr. FRANKLIN. The whole thing is a little bit more than a parallel column and shows that it was possible in this manner that the whole thing was all the time under the American.

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points to the United States. How are the freight rates fixed between the conference lines?

Mr. FRANKLIN. They are fixed exactly as the Liverpool rates, which I have just described.

The CHAIRMAN. And just as the London rates?

Mr. FRANKLIN. Just as the London rates, and there I will file with you a copy of the classification.

The CHAIRMAN. You have no tariff?

Mr. FRANKLIN. That is the tariff—classification and tariff—with the rates on each one.

The CHAIRMAN. There were no tariffs on the London or Liverpool?

Mr. FRANKLIN. No; I have the tariff here.

The CHAIRMAN. Will you furnish that to us, please?

Mr. FRANKLIN. There is a London and Liverpool tariff.

The document here submitted by the witness was marked by the stenographer Exhibit No. 63.

The CHAIRMAN. Of course, they are fixed by the same conference in New York.

Mr. FRANKLIN. The minutes that we filed there show you the rates.

The CHAIRMAN. I say they are fixed in these conferences, around the table, as you have described.

Mr. FRANKLIN. Just as I have described.

The CHAIRMAN. Does the Fabre Line participate in that conference?

Mr. FRANKLIN. I do not think they do. I think they are out of it now.

The CHAIRMAN. Do they maintain the same rates?

Mr. FRANKLIN. I doubt if they maintain absolutely the same rates, but they are pretty close to it.

The CHAIRMAN. They are not in competition in the sense that they are cutting rates?

Mr. FRANKLIN. I do not think they are demoralizing the situation at all. I have not heard of it.

The CHAIRMAN. Do you know why they withdrew from the conference?

Mr. FRANKLIN. No; I do not know—some matter regarding passengers on the other side, not here.

The CHAIRMAN. Is it a fact that the Cunard Line and the Austro-Americana are the only lines that operate to and from Trieste?

Mr. FRANKLIN. I think they are the only regular lines.

The CHAIRMAN. I say, can you explain why that is?

Mr. FRANKLIN. Oh, there is no explanation, excepting that they are supplying the demand entirely and they are covering the berths entirely.

The CHAIRMAN. You may state whether or not there is any agreement or understanding between the International Mercantile Marine and the Cunard Line and the Austro-Americana that you will keep out of that trade?

Mr. FRANKLIN. I do not know of any agreement to that effect. The majority, you see, of the third-class business, which is the important business out of there, comes in under agreement "A. A." and the other agreements, and the result is that as long as that agreement is

big one taking it in toto. I just ran across his letter again the other day, and it recalled it to my mind.

Mr. FRANKLIN. I really do not think there is anything in that, for this reason, that the rates are moved up and down here on the dollars; that is, your rate might be \$35 to-day——

Mr. HUMPHREY (interposing). Your passenger rate?

Mr. FRANKLIN. Your passenger rate might be \$35 to-day, and you might get instructions to make it \$37; you would not get instructions to raise it 2 shillings or 5 shillings or 2 marks or 5 marks.

Mr. HUMPHREY. The writer gave a long list and put it in parallel columns, and showed where it was translated in that manner that the odd cent was all the time against the Americans.

Mr. FRANKLIN. Our rates would be raised by dollars. For instance, as I say, if you had a rate of \$37 to-day and you were going to raise it \$2, you would raise it to \$39.

Mr. HUMPHREY. What I mean is this: Suppose you go up to the ticket window, you being an American, paying in English money or in our money, or an Englishman or a German goes up paying in their money, you have got to pay a few cents more all the time, because the rates are fixed in their money. That is, the charge which he makes is that on the regular rate the American passenger has all the time to pay that differential.

Mr. FRANKLIN. In buying a ticket in this country, does he mean?

Mr. HUMPHREY. Yes; or in Europe; that wherever you buy a ticket the price is fixed in foreign money, and that you have got to pay more than the foreigner does when he buys in his own money.

Mr. FRANKLIN. I can not follow his argument, for this reason, that if you are abroad your posters will be out for so many marks, let us say, for the sake of argument.

Mr. HARDY. Now, then, what it amounts to is that they say so many marks, and translate that into our coin, that if it is 2 cents more we have to pay it, and that they never translate it the other way if it is a few cents less. We do not get the benefit of it, but are always giving the foreigners the benefit of it?

Mr. FRANKLIN. I do not see how he works that out.

The CHAIRMAN. It might be a rate of exchange or something of that kind.

Mr. HARDY. All the grocerymen do that?

Mr. FRANKLIN. You see the exchange is not converted here. In other words, if the German line would say, "Here, while our rate is in marks, when you want to buy, convert it right then and there," and you would get a little something behind, but when rates are quoted in dollars—take it at \$35.

Mr. HUMPHREY. He deals with that, and if it is \$35.40, why, then, he would say that in German money the real value would be \$35.35. In other words——

Mr. FRANKLIN. \$35.35?

Mr. HUMPHREY. Yes. He would get 5 cents less. That is his argument; and he sent me the documents—a long list. I can not translate those things.

Mr. FRANKLIN. It is all a question of conversion. I do not think there is anything in that.

The CHAIRMAN. Let us take the freight rates from this country to Mediterranean points. We have the situation from Mediterranean

points to the United States. How are the freight rates fixed between the conference lines?

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Mr. FRANKLIN. I do not know of any agreement to that effect. The majority, you see, of the third-class business, which is the important business out of there, comes in under agreement "A. A." and the other agreements, and the result is that as long as that agreement is

in effect none of the lines or parties to that agreement will probably put a line in out of Adriatic ports. The Cunard and also Americana are taking care of that business very satisfactorily.

The CHAIRMAN. So that the passenger agreements naturally control the freight situation or agreements as well?

Mr. FRANKLIN. They do not control the freights in any way—purely freight—or from ports between which and the United States there is a good, big freight movement. They only control when you are running freights entirely on combined steamer of passenger and freights, and the steamer could not be run for freights, and is run only for third-class business. The freight is simply an adjunct.

Mr. HUMPHREY. That explains the reason why there is no specific agreement about freight?

Mr. FRANKLIN. That explains the reason why there is no necessity for an agreement which would cover freights from all ports to all ports, which each freight situation has got to be dealt with differently.

The CHAIRMAN. These are combination freight and passenger steamers?

Mr. FRANKLIN. Yes; they are; I think all of them are.

The CHAIRMAN. And, of course, they are sufficient to accommodate that trade?

Mr. FRANKLIN. More than sufficient to accommodate the trade.

The CHAIRMAN. There is no reason for anyone else to go in to take any part of the freight?

Mr. FRANKLIN. Not as far as my knowledge of it goes to-day. I do not think the Cunard Line would have gone down there except for the third-class business, and that is all.

The CHAIRMAN. Then, as to all European ports that are controlled by these combination freight and passenger steamers, the passenger situation virtually controls the freight situation?

Mr. FRANKLIN. Well, the passenger situation has a tremendous influence over the freight situation to ports to which the passenger steamers are operated and where the freight business is not large enough to supply the operation of purely freight steamers. For instance, to Hamburg and to Bremen and to Antwerp, and to a lot of the other ports that I could mention to you—Liverpool and London—purely freight steamers are operated. Therefore the freight and passenger service is there. The passenger service that is there will not control the situation from a freight point of view.

Mr. HARDY. But the Mediterranean is different?

Mr. FRANKLIN. The Mediterranean is practically different. We do not solicit eastbound freight to the Mediterranean ports. We do not care whether we get it or not.

Mr. HARDY. The passenger controls the whole thing?

Mr. FRANKLIN. Absolutely. We sent our biggest ship out last week without a ton of freight.

Mr. HARDY. From where?

Mr. FRANKLIN. From New York.

The CHAIRMAN. Have you any contracts with shippers?

Mr. FRANKLIN (continuing). And the week before—

Mr. HARDY. Where to. Just add that to your answer.

Mr. FRANKLIN. To Naples and Genoa and on to Alexandria, simply carrying cabin third-class passengers.

Mr. HARDY. You would bring back passengers?

Mr. FRANKLIN. Passengers, and pick up any freight we can, if she can get it without any delay or any inconvenience; that is the point of it.

Mr. HUMPHREY. Mr. Franklin, just before you take up that matter—I find here that you quote your rates in English money?

Mr. FRANKLIN. Yes; I do; always. I would not say “always,” but as a general thing.

Mr. HUMPHREY. That is exactly what the gentleman was claiming, that it is always done, and then translated the total into American money at the disadvantage of the man who pays American money. That is exactly what he claims.

Mr. FRANKLIN. No; these freight rates, as you will see by looking them through there, some are English money and American money. On the other sheet, not that sheet here.

Mr. HUMPHREY. That sheet here?

Mr. FRANKLIN. No. [Indicating.] This one over here that the chairman has. No doubt the reason for that is this: It is an old established custom. Those rates are all converted by tables at about 4—as I remember, at about 4.85. In other words, 12.6 and 5 per cent primage is 14.06 right along the trade. There is nothing in that, Mr. Humphrey. In the passenger business there may be, but in this there is not. That is known by the trade and understood by the trade just as thoroughly as our own money.

Mr. HUMPHREY. The fact about it is, the reason why they use English quotations and the German quotations is because the English and the German dominate this trade with their ships or the most of them?

Mr. FRANKLIN. Yes; they own the ships.

The CHAIRMAN. Yes.

Mr. FRANKLIN. They own the ships. We make up in many cases the manifests in English money, as a matter of convenience.

Mr. HUMPHREY. It is perfectly natural for the owners of the ship and the ones controlling the ships to do it in their own money.

Mr. FRANKLIN. We do not want to cable London that we have made so many dollars on a ship. They cable so many pounds; that is what they want to know.

The CHAIRMAN. We were referring to agreements with shippers.

Mr. FRANKLIN. Now, I have here the form, the only form that we have in our eastbound agreement with shippers, and I have just had them give me two at random, which I would rather not submit in that way for the record, because they have the name and rate of freight, but there are the blanks which are exactly verbatim to these.

The CHAIRMAN. That is the form of the agreement?

Mr. FRANKLIN. That is the form of the agreement.

The forms of agreement here submitted by Mr. Franklin were marked for the stenographer Exhibit No. 64.

The CHAIRMAN. Is that the only form of agreement?

Mr. FRANKLIN. No, sir; the great majority of our agreements are made on either brokers' notes, which is really only a memorandum sent along by the freight broker to us, or by letter. As a general proposition our shipping arrangements with the firms are not made

on any agreement—simply confirmed by brokers on brokers' notes, and we pay the broker $1\frac{1}{2}$ per cent.

The CHAIRMAN. Are there any deferred rebates on eastbound traffic?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Are there any discriminations between shippers on the freight eastbound?

Mr. FRANKLIN. No, sir.

The CHAIRMAN. Any discrimination between the shippers on the freight eastbound?

Mr. FRANKLIN. No, sir. The shipper can get at the same time—any shipper can—at the same time and under the same conditions, the same rate.

The CHAIRMAN. What are those conditions?

Mr. FRANKLIN. It is entirely a question of supply and demand. If a grain shipper comes in to-morrow and wants a rate of freight for next June, we may name him, as we would to-day, $3\frac{1}{2}$ pence; if we took all the June shipment of corn that went at $3\frac{1}{2}$ pence, our next day may be 4 pence, but every shipper gets the same rates for the same condition.

The CHAIRMAN. Irrespective of quantity?

Mr. FRANKLIN. Yes; irrespective of quantity. If a man came in with a tremendous quantity of grain and made a firm offer, we may find it would be a big influence to have to break the rate for the time being, but then we would probably take in the same load at the same rate. The rate once broken establishes it. It is a question of supply and demand, and a question of what steamer can be employed and how they can be used.

The CHAIRMAN. The purpose being to employ it——

Mr. FRANKLIN. In the most profitable way you can; and I venture to say that the average tramp steamer could not be chartered and put into any of the United Kingdom and continental trade and take their general traffic and pay its way.

Mr. HUMPHREY. They would not have the same facilities you do in many, would they?

Mr. FRANKLIN. They would not have the same facilities that we do in one sense of the word, but their facilities might cost them less if they charged them up, because they may be able to go to some place and get wharfage at very much less than our ships, because we have to have proper terminals. They only come in occasionally, but the disadvantage is on general cargo; that is the point I made this morning. They are on an equal basis when it comes to big, bulk traffic. I would not say "equal," but pretty close to being equal; but when it comes to general cargo they are not on an equal basis.

Mr. HARDY. When a contractor wants to ship out a lot of lumber from southern ports, they can get a chartered vessel that will be on the same basis and have the same facilities that you might have?

Mr. FRANKLIN. Yes; he may have to pay a little bit more on terms, but that is all there would be.

The CHAIRMAN. When it comes to regular trade and regular cargo which must be dispatched at regular intervals they can not compete and could not maintain themselves at the same rate?

Mr. FRANKLIN. Could not maintain themselves at the same rate, and they could not compete, because the merchant must have regular

service and ship every week, and he is quite ready to pay the regular line more than the tramp ship, in order to get those facilities for the miscellaneous general contracts. A great many of them want to make contracts for the balance of the year and sell goods on those contracts. They do not want a fluctuating rate; they want a fixed rate; they want to know when they are going to go and what facilities they are going to have.

The CHAIRMAN. Because they realize that the rate may go up. If it would go down they would not be concerned. That is the reason they make contracts.

Mr. FRANKLIN. Just like that contract I have submitted, because that settles them for the balance of the year.

The CHAIRMAN. If there is a chance of the rates going down, rather than going up?

Mr. FRANKLIN. The chance that the rate is going down is not going to hurt them, but if it should go up it would hurt them.

The CHAIRMAN. I say, the chances of the rates going up is the inducement for them to enter into the contract?

Mr. FRANKLIN. That is right; it is a protection to the shipper.

The CHAIRMAN. Where you have this contract, is it the understanding that the shipper shall give all his shipments to the line?

Mr. FRANKLIN. It is always a matter of stipulation. There are some shippers who will make a contract with you, in accordance with this form of contract, whereby we are to get all the business of this shipper for the balance of the year. Another shipper may come in. He may want to ship 12,000 or 15,000 tons of stuff, and he may say, "I would like to ship and make a contract with you to give you 8,000 tons. I will want to keep my other 4,000 or 7,000 tons to be moved as I see fit." and as long as he commits himself to the rate that we agree upon it is quite satisfactory. We will always try to get as much business as we can from the shipper.

The CHAIRMAN. Mr. Franklin, this inquiry is being made for the information of Congress, and later on this committee may be called on to make recommendations as to legislation. I wish you would tell the committee and give us your view on that matter.

Mr. FRANKLIN. Gentlemen, that is a very difficult matter. It is a matter that we have all been considering recently.

The CHAIRMAN. I understand. Certain suits are pending against the lines in the North Atlantic trade and in other trades, wherein it is claimed that they are operating in violation of the terms of the Sherman antitrust law. Of course what we would like to know, from your viewpoint, is what legislation could control this situation and avoid whatever criticism that may attach to the present methods.

Mr. FRANKLIN. The difficulty in arriving at anything we may recommend to you is this: That we all feel that the trade has got to be looked upon in a different way from the railroad business, which is an interstate business and all within the boundary of the United States, so to speak. In this trade that we are dealing with—the United States—the merchants of the United States are competing with the merchants of other countries.

The CHAIRMAN. Right in that connection state what objection, if any, you have to our fixing a schedule of rates, for instance, and filing them with the Interstate Commerce Commission, like the railroads.

Mr. FRANKLIN. That is just what I want to come to. If it is

necessary for us under the laws of the United States to file a rate and not change that rate for a certain fixed time, the merchants of the United States may lose the chance of a sale of a good many commodities in the markets abroad, such as Liverpool, Hamburg, and others, where they are competing with the products of Russia, Argentina, Australia, and New Zealand and every other producing country. It is not as if it were just in your own country. As an example of a contract for a large amount of wheat——

Mr. HARDY. Right in that connection, suppose you had the privilege of lowering rates without the consent of legal authority but not the privilege of raising rates?

Mr. FRANKLIN. I will just answer this, and I will go back to the example of wheat.

The general point in being able to raise your rate of freight would be this: That gradually your trade might become less attractive to the foreign ships than the trade of other countries, where the ships would have the right to raise the rate in accordance with increased operating expenses and other expenses and everything of that kind. Therefore, it might result of your services being reduced; in other words, where they can not maintain a weekly service the lines may say, "Well, hold on, I am losing money here. I am going to reduce to a fortnightly service." In the last 10 years there has been a great deal more money lost than made in carrying freight across the North Atlantic, and the United States owners of the railroad capital can be very thankful that they did not have their money invested in freight-carrying ships across the North Atlantic, and the commerce of the United States has been carried at a lower rate per ton across the North Atlantic than commerce has ever been carried in the history of the world. We have carried flour from Boston to Liverpool at 5 cents a hundred, which went up the coast loading and discharging, that was the average rate over a term of years, almost——

Mr. HUMPHREY. How much would that be a barrel, and I can comprehend it better.

Mr. FRANKLIN. I think a flour barrel is 195 pounds.

Mr. HARDY. 196—used to be.

Mr. FRANKLIN. 196, and we carried that at 5 cents a hundred pounds, that is 10 cents a barrel. or a little less. We can not put it in and take it out for that price.

Our grain freight has been ruinously bad, and every other freight has been bad. Only a few of the commodities have paid a reasonable rate.

Just to show you, as an example, the I. M. M. Co., owner of the Leyland Line, which was a very excellent line and which had been a very profitable line up to 1901. They paid a very big sum of money for it, and they have never, since 1902, received a dividend until this year. This is the first year, 1912, that they have ever gotten a return on a dollar. That line is purely a trade line. And if you fix a maximum or minimum rate, you are going to do your commerce an injury.

I want to tell you about the sale of a lot of grain, which shows you the necessity of having a movable feast of rates for fluctuating rates; that is, a merchant in Liverpool wants to buy a certain quantity of grain for some mills. He gets his offer of grain from the Baltic,

from Australia, from the Argentine, and from the United States. He buys what he finds to suit his grades of flour and what is the cheapest grain, and he makes his offer on it, right off that day. That offer may come into any one of our places, for the sake of argument, the Liverpool Line, as we have done it twice in the last three weeks. A big lot of grain might come in and the shipper would say, "We will give you a hundred loads of grain, if you will take it at such and such a rate, and close out." We say, "Done; we will take it. We want the grain; we have the empty ships." If we did not take that, it does not necessarily come back at a higher rate. It may be Australia; that may be the Black Sea; that may be the Argentine. If we are under such control that we can not change that rate, it is going to be detrimental to the export business of the United States. I mean, when I say that, volume business—the big business, which is the backbone of the trade.

Mr. HUMPHREY. Now, Mr. Franklin, if you are through——

The CHAIRMAN. Let him go ahead.

Mr. HUMPHREY. I do not want to interrupt you, if you are not through.

Mr. FRANKLIN. We have given a great deal of thought to what could be done, and the only thing that we can see as a starting point would be publicity, because we claim, whether rightly or wrongly—you gentlemen will be the best judges when you get through here—is our method of conducting business, which is an agreement on rates, and in some cases a pooling, as the only way that the trans-Atlantic and the foreign trade can be properly, economically, and efficiently handled, and result in good services, giving the merchant good service. Therefore, if there is any law passed which prohibits our doing absolutely that which we are doing, we say it is going to be detrimental to the trade at large and to the export and import business, particularly the export. Therefore, the only thing we can see in any way would be the question of supervision, and then let us see where we are wrong later.

Mr. HARDY. Do you not think it would be a good idea for some legislation to require the railroads to give exactly the same prorating with all vessels with whom they ship?

Mr. FRANKLIN. Well, of course, that comes in only in the coast-wise business, and coastwise trade, and we are not in that trade, and I am not sufficiently familiar about how detrimental that might be to the continuance of a certain regular line. I would say that if a line is to be established by somebody who will put in equal facilities, but the difficulty is to get that somebody who can maintain proper facilities.

Mr. HARDY. But if your line enjoyed a prorating with the railroads for cargo that you carry destined for interior points that is of greater advantage to you than to another ship, that other ship can not live in competition against that?

Mr. FRANKLIN. No; it is bound to drive it out.

Mr. HARDY. Ought not that to be by law equalized so that they will be bound to give all ships the same prorating?

Mr. FRANKLIN. It does not seem that there should be any rates applicable from a port on certain kinds or classes of traffic that are not applicable to all.

Mr. HARDY. In other words, that is justice?

Mr. FRANKLIN. That seems to be justice. There may be other conditions beyond that which would make it possible for the railroad company in fairness to itself, and to the amount of traffic, and all that kind of thing, to give the same facilities as the other fellow. I do not know whether——

Mr. HARDY. The other type of justice would require the same facilities and the same time?

Mr. FRANKLIN. Where we are operating we demand the same rates and the same facilities as anybody gets.

Mr. HARDY. In other words, you come under the "favored-nation clause"?

Mr. FRANKLIN. No; I do not know that we do. We are waiting to see.

The CHAIRMAN. Have you any agreements with any railroad companies?

Mr. FRANKLIN. No agreements of any kind as regards any traffic or amount of traffic, rates, or anything of that kind. The only thing is, we have an understanding that we get free wharfage. We go in and use the terminals and we get free wharfage, and there is a berth for us all the time.

The CHAIRMAN. You have no agreements with them by which you are to have the exclusive business of any line?

Mr. FRANKLIN. What our understanding with them here is this: This is really the way it works out, that as long as we maintain the service between two ports that is entirely satisfactory to that railroad they will give us their dock free of charge, and they, of course, will not encourage any outside competition to come into that dock or those facilities.

The CHAIRMAN. I want to ask you now about one matter in regard to advertising the rates.

Mr. FRANKLIN. That has always been a puzzle.

Mr. HARDY. Before you leave this there are one or two questions I would like to ask:

Did you testify about the prorating between the railroads and steamship lines?

Mr. FRANKLIN. We have no prorating arrangement at all.

Mr. HARDY. You have none whatever on ocean freight?

Mr. FRANKLIN. Not a thing. You see, we are in no way under the jurisdiction of the Interstate Commerce Commission, and in order to prorate with a railroad you would have to come under the jurisdiction of the Interstate Commerce Commission. But that is so, as I understand it, with a great many of our coastwise lines, because they come under them. Any tramp coming in, you see, would not come under the jurisdiction of the Interstate Commerce Commission, and therefore would not have to file those tariffs with Washington and could not make that prorating arrangement. Did I make that plain to you?

Mr. HARDY. Yes; I understand. Mr. Kennedy, however, made quite a talk in Congress on that, and spoke of certain industries of ours which had difficulty in competing with their competitors in Germany because the freight rates to the foreign importers were less to points of interior destination than the railroad rates from New Orleans on home products.

Mr. FRANKLIN. Well, the rate of freight from certain points across the Atlantic to New Orleans would frequently be less than they are for a much shorter haul on other near-by places to New Orleans by rail, if that is what you mean.

Mr. HARDY. I know, but that is not what his statement was. I think it was that points in the interior were reached at less rates of freight from Germany than they were from New Orleans on freight beginning in this country.

Mr. FRANKLIN. He might be able to, but I do not think that he could prove his figures. Of course, it is true that import rates on import traffic on certain commodities are lower than the ordinary rate.

Mr. HARDY. Than the local rate?

Mr. FRANKLIN. Than the local rate; but it would not be as big a difference as that.

Mr. HARDY. Does your line have any understanding with a railroad as to keeping the rate lower than the local rate?

Mr. FRANKLIN. No, sir. That is where we benefit in every way over the coastwise lines. We have no understanding of any kind regarding prorating or rebating with the railroads, or anything of that sort, which gives us any advantage over the published tariff rate.

Mr. HARDY. So in giving a thorough bill of lading from Bremen to some points in the United States, it would give the through rate, plus the local rate?

Mr. FRANKLIN. Yes; and by instructions from the Interstate Commerce Commission the railroads have to show the rates and conditions. You have got to show the through rate and then show how it is divided, because we do not prorate at all.

Mr. HARDY. That prorating is in the coastwise trade?

Mr. FRANKLIN. It is in the coastwise trade, and, as I understand it, it is only on the established coast lines that come under the jurisdiction of the Interstate Commerce Commission, as far as that prorating and those arrangements are concerned, and I do not see that it can be extended to others that do not come under the jurisdiction of the Interstate Commerce Commission.

Mr. HARDY. There is no way of extending it by agreement between you.

Mr. FRANKLIN. Yes; that is right.

Mr. HUMPHREY. There are one or two other matters I want to ask you about. The first thing I want to ask you about is this question of giving notice of your rates. This has always occurred to me in considering that. Suppose now, for illustration, that you are compelled to give notice of what your rates will be for 30 days. I believe that has been proposed. Now, take my home port as an illustration. Suppose that there is an American vessel, one American vessel running from there, and in competition with it are the Japanese lines. They are supposed to be in competition, and suppose they are really in competition.

The CHAIRMAN. I think that is hardly a fair supposition in view of the evidence that we have that they are not in competition.

Mr. HUMPHREY. But suppose that they are in competition, and suppose in that case we required the American line to give notice for 30 days what its rates were going to be. The question has always

occurred to me if that is not giving an advantage to the competitive lines, so that they could cut the rates under it and get the freight away.

Mr. FRANKLIN. That is the difficulty. If you compel the American lines to give this notice you would decidedly have trouble there. The foreign line there would wait until the American line, with which it was competing, had published its rate, then make a slightly less rate and get all the traffic.

Mr. HUMPHREY. That has always occurred to me, that if you had to advertise the rate and give notice of 30 days, a tramp could come in and get under that.

Mr. FRANKLIN. If we had a fixed rate the result of it would be, after we had published our rate and it could not be changed except upon notice, that a tramp or anybody else that had not filed its rates could come in and take the business away from us. To carry that along a little further, the result would be that the regular line would then reduce its sailings, and then the tramp in that time would disappear, and the merchants would have no service in that trade.

Mr. HUMPHREY. There is one other question I wanted to ask you: I have seen it stated frequently, and I will give you a few illustrations, that the rates from Europe to certain inland points in the United States were less than from points within the United States. To illustrate: I heard a manufacturer testify once that a ton of pottery could be brought from Germany to Denver—I do not know whether Denver is the place or not: we will take it for illustration—cheaper than the same pottery could be carried from New York to Denver, although it might be brought over the same line.

Mr. FRANKLIN. Of course, if he had the figures, I do not want to dispute those figures; but there has always been a difference between the railroad rate on import traffic and the local traffic. Now, the rate, I hardly think, would be less than 50 per cent, practically, which it would have to be. Don't you see, you have got to give the ocean something; the ocean carrier is not going to carry that for nothing.

Mr. HARDY. That is what Mr. Kennedy was speaking of.

Mr. FRANKLIN. Yes. Now, those cases could be quickly cleared up by appealing to the Interstate Commerce Commission for their table of local and import rates.

Mr. HUMPHREY. Now, there is another case of this kind where it was claimed that plate glass brought from some point in Europe, Belgium, I think, that the rate on plate glass was cheaper from Belgium to St. Paul coming by way of New Orleans, I believe, than it was from New York to St. Paul or from Pittsburgh to St. Paul. Then, there is another commodity in which I have seen it repeatedly claimed that it is cheaper to send a crate of beer from Germany to Denver than it is to send a case of the same size from Cincinnati to Denver.

Mr. FRANKLIN. All of those examples prove the reasonableness and how very low our freight rates have been across the Atlantic, you see.

The CHAIRMAN. They claim our tariff law is faulty in that way.

Mr. FRANKLIN. As long as we give you reasonable service across the Atlantic, I do not see how we are to blame for it.

Mr. HUMPHREY. The inference is bad, even if there is an understanding between the railroads and the steamship companies for the division of rates.

Mr. FRANKLIN. The point in my mind is this: That I do not think any railroad can make a prorating and a conditional arrangement with a steamship line without filing it here in Washington. I do not think they would even consider it.

Mr. HARDY. I think the way that is gotten around and the same thing accomplished is that they have commodity rates, and that some commodity rates are put down.

Mr. FRANKLIN. They have commodity import rates.

Mr. HARDY. Yes.

Mr. FRANKLIN. And they have import rates that apply on other articles. Now, the rates on commodities are not the same as article rates.

Mr. HARDY. Not at all the same.

Mr. FRANKLIN. Of course if you originated a shipment of glassware in New York or Chicago, one rate might apply, whereas if that was coming from Hamburg there might possibly be a lower rate.

Mr. HARDY. The lower rate is not always the same scaling for all the imports, but for one import they may make a very much lower rate, while for the other they may make the local rate.

Mr. FRANKLIN. But all of those rates and all of these conditions have been matters that the Interstate Commerce Commission has gone over very carefully, and they have all been made for good and sufficient reasons in order to enable the railroads to get some of this traffic and to move it and for the shipper to move his business.

Mr. HUMPHREY. One other question: I understood you to say that there had been no profits in the carrying trade across the North Atlantic for how long?

Mr. FRANKLIN. I gave you an example—that the Leyland Line, which is one of the very excellent services, did not pay a dividend on its preferred or common shares between the years 1902–3, which is one year, and 1912.

Mr. HUMPHREY. What I want to ask you is, if that is the fact, how the Hamburg-American Line is enabled to pay on its capitalization of \$96,000,000, 8 and 9 per cent? I have seen their statements twice.

Mr. FRANKLIN. I think this year they will probably pay a little bit more.

Mr. HUMPHREY. How does it happen that the Hamburg-American has been able to make a profit of that much? I saw one of the statements, and, unless I am a very poor judge, it was nearer 25 per cent than 9.

Mr. FRANKLIN. That profit, Mr. Humphrey, is made very largely in their venture, say, out of the passenger business and the long-haul freight business, and of course with the passenger business they carry freight in combination steamers.

Mr. HUMPHREY. You mean freight business alone?

Mr. FRANKLIN. I said particularly the freight business. The freight business has been, as a general proposition, the most remunerative across the North Atlantic.

Mr. HUMPHREY. Is the profit of the Hamburg-American, in your judgment, due in any degree to the monopoly that it has in certain directions?

Mr. FRANKLIN. I should not say so. I should say it is due to the fact that the company is about 65 years of age; it is admirably op-

erated; it has worked its business up thoroughly; it has kept its capital in very good proportion to the actual floating property, its tools, its producing property, and it is in very fine financial condition. Now, it is probably due to the fact that the world's conditions of transportation are becoming a little more stable.

Mr. HUMPHREY. Is it not also due to the fact that it is such a powerful company that it can fix the rates, and no other company dare in its field to undertake to cut under what it fixes as the minimum? Has it not reached such a power that it is practically a monopoly, so far as the fixing of rates is concerned, in its field?

Mr. FRANKLIN. It thoroughly covers the Hamburg business. and it fixes the rates of the Hamburg trade, and it takes care of that trade, and it fixes such reasonable rates that nobody could profitably undercut that business. Did I get that clearly before you? In other words, the point I want to get clear before you is this: If the Hamburg deliberately raise their rate basis far and away above the basis of the trades generally the world over, they would have competition right off. There are lots of people that own steamers and that operate steamers who are not affiliated with the Hamburg company in such a way but what if the Hamburg company turned around and took that position they would go into Hamburg and get the business if the Hamburg rates were too high. Unless they keep their conditions reasonable, they will have competition.

Mr. HUMPHREY. There is no company in shape financially, though, unless possibly it might be the Royal Mail, to enter into a commercial war with the Hamburg-American, is there?

Mr. FRANKLIN. I would say this: There is no company that has not its business or has not a field in its own business to expand to its maximum, and therefore anxious to go into the Hamburg field.

Mr. HUMPHREY. Now, is it true, Mr. Franklin, that there is no other company upon the Atlantic Ocean, with the single exception of the Royal Mail, that is strong enough to enter into a real fight with the Hamburg-American?

Mr. FRANKLIN. No; I do not think I could say that is true. Mr. Humphrey, for this reason: Suppose there are several lines that to-day may be only freight lines, for the sake of argument, and may have no big line of business, and suppose their financial position is such that they could go to their bankers and borrow \$15,000,000 or \$20,000,000, and they would say, "Now, we are going to put a line in from New York to Hamburg." They could do it, but it would have to be some company that had the capital to develop it, and everything to tide it over in a lot of other stress.

Mr. HUMPHREY. How long would \$15,000,000 or \$20,000,000 last in a war with the Hamburg-American?

Mr. FRANKLIN. As conditions are to-day, it would last for a very long time, if you had new ships—not with old ships.

Mr. HUMPHREY. How much of an investment would be the initial investment of a good line?

Mr. FRANKLIN. Well, it would depend upon the type of steamer you want to put in. If you wanted to put in a type of good combined passenger and cargo steamers, you could get five steamers to-day for about two and a half million apiece to do that work. It is all a question of capital. The point of it is this, that the Hamburg

company has the most modern tools, the best ships; it is splendidly organized, and it is bountifully capitalized.

Mr. HARDY. You mean it is not watered stock?

Mr. FRANKLIN. Not a bit of water in it.

Mr. HARDY. Take the Leyland Line; is that the trouble with it, that it does not pay any dividends, that they are overcapitalized? Has that been the fault in the last 10 or 12 years?

Mr. FRANKLIN. No; the fault in the last 10 or 12 years has been that it has not had any earning capacity.

Mr. HUMPHREY. Has not had what?

Mr. FRANKLIN. Earning capacity.

Mr. AYRES. Why hasn't it had?

Mr. FRANKLIN. Because freights have been too low. It has a tremendous investment in the Boston, Liverpool, and London trade.

Mr. AYRES. And in eight years they have not made depreciation and interest?

The CHAIRMAN. They have the floating property to represent the capital, haven't they?

Mr. FRANKLIN. They have the floating property to practically represent the property. There may be some water in it, but nothing to amount to anything.

Mr. HUMPHREY. To put the question in another way, the Hamburg-American in its field to-day has no active competitor, has it?

Mr. FRANKLIN. It has competitors on all its through business and indirect business and that sort of thing, but between its main north Atlantic ports it has no active competitor. Where you get the gain, where you get down into the cotton ports, it has active competitors, but they are largely season services.

Mr. HUMPHREY. Don't you think it would follow as a matter of course that a steamship company is going to make money when it has an inviting field and no competitors?

Mr. FRANKLIN. They will make money if their financial position is such that they can keep their modern steamers in and develop that business and carry it on the most economical basis.

Mr. HARDY. Your idea is that they are prevented logically from overcharging by the reasonable anticipation that that will bring on real competition?

Mr. FRANKLIN. Yes.

Mr. HUMPHREY. That must certainly be a mighty comfortable position for the company to be in.

Mr. FRANKLIN. It is a magnificent position; it is a position we all admire.

The CHAIRMAN. It is not one to be deplored from the standpoint of commerce.

Mr. FRANKLIN. No; and let us go further. It is one they deserve from their own labors. They deserve it.

The CHAIRMAN. If you get a book called "The Port of Hamburg," and read it, you could not but be filled with admiration for it.

Mr. FRANKLIN. You can not help but admire it tremendously, and they have shown a tremendous amount of ability in it. They handle their business beautifully, and they are very active people.

The CHAIRMAN. We want to get back to the question of publicity. I want you to develop that idea, how far we should go in the way of legislation.

Mr. FRANKLIN. The only thing we feel could possibly be done—and I do not know whether the majority of the shipping trade agree with me on that or not—is the question of filing the rates at some place in Washington for general supervision, to which shippers can apply and see what rates are in force at the time and what other people are getting. We feel there is no other way to conduct our business except by working together in the manner in which we are now working.

The CHAIRMAN. Well, of course, if this discrimination or rebating exists in any trade, would it not be a good thing to prohibit that?

Mr. FRANKLIN. Absolutely. And I think this, that the object in filing it would be that there is the rate of that day. We would have to prove in the case of any difficulty that we offered to a shipper that rate on that day, that everything was equal to all, an equal chance to everybody to ship at that time. We might get all we wanted to-day, and we might be out of the market to-morrow.

The CHAIRMAN. Do you say, with reference to preferred rebates also, that they should be prohibited by law?

Mr. FRANKLIN. We have never used preferred rebates, and I know very little about them. They have been, by people who have used them and by lines who have used them, found very advantageous not only to the shippers, but to the steamship companies. But I think the sentiment in the United States regarding the rebates is such that I do not care about advocating that we be allowed to have them.

The CHAIRMAN. Some of the shipping lines, as well as some of the merchants, I think, have voiced the opinion that they ought to be prohibited by law.

Mr. FRANKLIN. The very word "rebate" in the United States has not a very satisfactory meaning. I do not think there is any use of our pressing for anything of that sort.

The CHAIRMAN. Then again with reference to these agreements between these conference lines, what do you say about the law requiring those agreements to be filed, say with the Interstate Commerce Commission or some other like tribunal, instead of having all this doubt whether or not they are legal and remove any controversy of that sort.

Mr. FRANKLIN. I feel that the present position of the steamship companies is rather an unfortunate one, where all their agreements are looked upon with suspicion, more because the other fellow does not know what is in them than because of what is really in them, and I think, as far as agreements pertaining to business from the United States are concerned, it would not be at all prejudicial to business to have them filed.

The CHAIRMAN. We have repeatedly called for agreements in these different trades, but it appears that the American agents do not know anything about them, never saw them, and only have the opinion that they exist. The very fact that they are held abroad and that there is no inclination to give them up to us for consideration that we may know their terms creates suspicion, of course, that they are bad, that they do not want them to see the light of day. We are not assuming that that is true; but if they are all right, if they are based on sound economic principles and are not prejudicial to com-

merce and do not encourage monopoly, there is no reason why they should not be filed or supervised by some competent tribunal.

Mr. FRANKLIN. Now, are you talking about the westbound or eastbound?

The CHAIRMAN. Westbound.

Mr. FRANKLIN. Westbound as well as eastbound?

The CHAIRMAN. Yes. I am assuming, of course, we could by legislation compel them—that is, ships engaged in our trade, clearing from American ports—to do that as a condition precedent. If it is a good rule for you to file your agreements in the outgoing trade, why not in the opposite direction as well?

Mr. FRANKLIN. Well, generally speaking, I do not see any serious objection to it, because I believe that all these agreements that so much fuss has been made out of are all absolutely reasonable and good economic propositions for the commerce of the United States both east and west bound.

Mr. HARDY. If they are not, that is all the more reason why they should be known.

Mr. FRANKLIN. That is what I say, why I am in favor of filing the eastbound. I do not like to say anything about the westbound situation. It is not one we have any control over here; but as far as the eastbound is concerned, we do practically control that, and I see no objection to filing the agreements and filing our rates of freight, but I do see very serious obstacles and objections to having rates fixed and not subject to change without notice.

The CHAIRMAN. I can see the force of your objections.

Mr. FRANKLIN. I do not care anything about the publicity.

Mr. HUMPHREY. Don't you think it would be a good thing for this country and have a great tendency, or at least give us an opportunity, to protect our commerce if all these transactions were made public, so that everybody would know just what was being done by every vessel that comes into our ports, from the standpoint of the commerce as a Nation? Don't you think we ought to know just exactly what is being done?

Mr. FRANKLIN. I do not see where it would be particularly beneficial to you, but, on the other hand, I do not see where it would be particularly detrimental to the other fellow.

Mr. HUMPHREY. It would be beneficial to us in this way: At least we would know what was going on and would be guaranteed that there was not something taking place in the dark.

Mr. FRANKLIN. It would relieve your suspicion; that is the whole situation.

The CHAIRMAN. Of course, it is estimated that about 92 per cent of our commerce is carried in foreign ships; and it has been urged, too, with much force, that our commerce is discriminated against in favor of Europe. Now, what are the conditions in the North Atlantic trade, as far as you know?

Mr. FRANKLIN. I have never heard of anything of that kind, as far as discrimination is concerned. You see, that does not come into the North Atlantic trade at all, because the North Atlantic trade is between the two countries; it is not a trade in which the two countries are shipping to an indirect point and competing, except where you are taking transshipment business.

The CHAIRMAN. I understand that, too; but commodities moving from this country to Europe—are they handled equitably as compared with commodities from Europe to this country?

Mr. FRANKLIN. Oh, absolutely. The steamship companies are anxious to get all they can. That is the point about that. We do not care who is selling, just so we are carrying it.

The CHAIRMAN. You say you are not familiar with the indirect trade, say, the Brazil trade?

Mr. FRANKLIN. No; not to South America; we are to Australia and New Zealand. We make those rates without any regard to any buying or selling of commodities.

The CHAIRMAN. Is there any discrimination against our American merchants and manufacturers, against those of Europe in the far eastern trade?

Mr. FRANKLIN. None that I know of at all.

The CHAIRMAN. Of course, these are foreign lines under foreign ownership for the most part. You say there is no such discrimination?

Mr. FRANKLIN. Not that I know of.

Mr. HARDY. Are the rates as low from New York to Australia as from London to Australia?

Mr. FRANKLIN. Yes; they are; sometimes lower.

The CHAIRMAN. Is there anything else, gentlemen?

Mr. FRANKLIN. I think you can realize how difficult it would be for us. In the first place, not only does the ballasting feature come in, but it is the question of the tramp and all that sort of thing. If we were tied up as the railroads are tied up I do not see how we could work for business.

The CHAIRMAN. The tramp in bulk cargo comes in competition with the regular lines? Isn't that one difficulty in the question of regulation?

Mr. FRANKLIN. That is exactly what I was saying. We may have a rate filed in Washington that might be subject to only five days' notice. A tramp would come in over night and take the business at whatever rate it saw fit, and we could not touch it without subjecting ourselves to certain penalties.

The CHAIRMAN. Unless the tramp were placed under the same supervision?

Mr. FRANKLIN. It is difficult to see how you would do it, because it is not only the tramp himself, but the charterer and anybody else. He is an absolutely free lance, and I do not see how you could tie him up.

The CHAIRMAN. We have evidence here that Grace & Co., I think, engaged in trade on the west coast of South America, and they are also merchants as well as operating steamship lines. Of course they buy their commodities, assemble them in New York, say, and ship them to their houses on the west coast of South America for distribution. At the same time they will take a cargo to fill out their ships. That is the situation that, in your opinion, it would be difficult to meet if you are compelled to file your rates?

Mr. FRANKLIN. I do not see how we could meet it. We might get caught and the ship would not stand up. If we can not take grain right off we might have serious difficulties.

The CHAIRMAN. Were there any other documents called for in the subpoena that you have?

Mr. FRANKLIN. No; I have not anything here. I think I have given you everything you want. If you find anything more that you want, let us know.

Dr. HUEBNER. We have a copy of the contract, haven't we?

Mr. FRANKLIN. Yes. I am very much obliged to you, gentlemen.

Mr. HARDY. We are very much obliged to you, sir. You have presented to the committee good matter for thought.

The CHAIRMAN. It is 4 o'clock, gentlemen. We will adjourn until to-morrow morning at 10.30 o'clock.

Thereupon, at 4 o'clock p. m., an adjournment was taken until to-morrow, Friday, January 24, 1913, at 10.30 o'clock a. m.

INVESTIGATION OF SO-CALLED SHIPPING COMBINE

HEARINGS

BEFORE

U.S.

THE COMMITTEE ON THE MERCHANT MARINE AND FISHERIES

HOUSE OF REPRESENTATIVES

ON

H. RES. 587

JANUARY 24, 1913

No. 11



WASHINGTON
GOVERNMENT PRINTING OFFICE
1913

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES.

HOUSE OF REPRESENTATIVES.

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RUFUS HARDY, Texas.

WILLIAM B. WILSON, Pennsylvania.

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H. H. GARVER, *Clerk.*

Dr. S. S. HUEBNER, *Expert to Committee.*

T. N. LAYLOCK, *Counsel.*

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INVESTIGATION OF SO-CALLED SHIPPING COMBINE.

COMMITTEE ON THE MERCHANT MARINE AND FISHERIES,
HOUSE OF REPRESENTATIVES,
Friday, January 24, 1913.

The committee met at 10.45 o'clock a. m., Hon. Joshua W. Alexander (chairman) presiding.

Present: Representatives Hardy, Wilson, Thayer, Burke, Stone, Post, Stephens, and Faison.

The CHAIRMAN. First, this morning, Mr. Lorenzo Daniels, representing the Lamport & Holt Line, has furnished copy of the agreement between the Booth Line, Quebec Steamship Co., and the Lamport & Holt Line, relative to the present first-class rate from Barbados to New York, and it will be inserted in the record at this point.

The paper here submitted was marked by the stenographer "Exhibit No. 65" and is as follows:

EXHIBIT No. 65.

SEPTEMBER 6, 1912.

Messrs. BUSK & DANIELS,

Agents the Lamport & Holt Line, Produce Exchange, City.

DEAR SIRS: Referring to conversation between your Mr. Daniels, Mr. Sandford, of the Booth Line, and the writer, we beg to confirm the decision to advance all passage rates to and from the West Indies beginning October 1, 1912, \$5 on each first-class ticket and \$2.50 on each steerage ticket.

The Royal Dutch West Indian Mail are making the same advance in passage rates from October 1, and it is understood that the four lines will advise their West Indian agents by first direct Barbados mail, which closes on the 9th instant at 11.30 a. m.

We are explaining to our agents that the advance is made necessary owing to the heavy additional expense incurred by the passenger trade, under the new law requiring steamers to carry two wireless operators, and to be fitted with an auxiliary from October 1, next. Please confirm.

Yours, truly,

A. E. OUTERBRIDGE & Co.

TESTIMONY OF MR. FRANKLIN D. MOONEY, VICE PRESIDENT AND GENERAL MANAGER OF THE NEW YORK & PORTO RICO STEAMSHIP CO. AND GENERAL MANAGER CLYDE SANTO DOMINGO LINE, 11 BROADWAY, NEW YORK, N. Y.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give your name to the stenographer, your address, and your business connections.

Mr. MOONEY. Franklin D. Mooney, 11 Broadway, New York; vice president and general manager New York & Porto Rico Steamship Co.; general manager Clyde Santo Domingo Line.

The CHAIRMAN. I understand you want to make the preliminary statement. If so, Mr. Mooney, proceed.

Mr. MOONEY. Mr. Chairman, in view of the fact that the name of the New York & Porto Rico Steamship Co., as well as my own, has been before your committee, I should like to make the following statement:

Early in 1900 the firm of Miller, Bull & Knowlton, composed of Archibald H. Bull and Henry T. Knowlton, was in the ship brokerage business and was also the managing agent of the New York & Porto Rico Steamship Co.

Differences had arisen between Messrs. Bull and Knowlton and they decided to separate.

The New York & Porto Rico Steamship Co. desired to discontinue the managing agency and to control its own affairs under a general manager.

Messrs. Bull and Knowlton sold out their interests in the New York & Porto Rico Steamship Co., and a part of the agreement was that neither should go into the Porto Rico business for 10 years. This agreement could be waived by the New York & Porto Rico Steamship Co., and in the case of Mr. Knowlton it was waived, and he was appointed general manager of the company in May, 1900, and sold out his interest in Miller, Bull & Knowlton to Mr. A. H. Bull.

After his separation from Knowlton, Bull carried on business under the name of A. H. Bull & Co., and organized the A. H. Bull Steamship Co. and went into the coastwise business. After the expiration of the 10 years he entered the Porto Rico service with his line and made announcements that he would cut the rates 20 per cent.

It was in the early part of 1911 that Mr. Bull started his service to Porto Rico, and for some time after that we ignored his competition and did not cut rates, but later found it necessary to take steps to meet the competition, which we did. A rate war ensued and freights declined to an unremunerative basis, and have continued so to this day.

On November 17, 1911, Mr. Bull called at my office and explained that he felt that he was entitled to a share of the Porto Rico business, having been in it previously, and he had therefore started his line and intended to continue. He said he did not want a rate war, and voluntarily offered to limit the amount of tonnage or the number of sailings, to be mutually agreed upon, provided, however, that he should enjoy a 25 per cent "differential."

Mr. HARDY. What do you mean by that?

Mr. MOONEY. Twenty-five per cent lower rates than any that we might name, sir.

I replied to Mr. Bull that I was very sorry he felt obliged to go into the business, but that he, or anyone else for that matter, had a perfect right to run a service to Porto Rico, and that we had no arrangements with anybody, nor would we make any.

I further told Mr. Bull that in my judgment his proposition was in violation of the Sherman antitrust act, as it was in restraint of trade. He said he didn't agree with me, as he had been advised by his counsel that this was not so. After a somewhat lengthy conversation he left the office, but returned in a few days and said he had obtained a copy of the Sherman Act, and that what I said was so, but that he could enter into a "gentleman's agreement."

At various times and places subsequently he talked to me and asked if we were ready to accept his offer, and I told him that we would enter into agreements with no one, but that if he had ships to charter we would gladly charter them at any time we needed them, giving him the current rates. He said he would not charter his ships to anyone; that he was determined to operate a line of his own.

We declined to enter into any arrangements with him, and he finally said that if we would not enter into an arrangement, then we must expect a fight, and that he would cut rates until we recognized him.

The CHAIRMAN. What lines run from New York to Porto Rico?

Mr. MOONEY. The Insular Line, the Red D Line, the Bull Line, the Benner Line of sailing vessels, and the New York & Porto Rico Steamship Co.

The CHAIRMAN. What lines run there regularly—make regular trips on schedules?

Mr. MOONEY. In addition to ours and the Insular Line there is the Red D Line, and the Bull Line sailing perhaps twice a month.

The CHAIRMAN. Tell us about this Insular Line. How is it owned and managed, and who are the officers?

Mr. MOONEY. I can not answer that question, Mr. Chairman. I know they are a line of which William E. Peck & Co. are general agents, and they operate, to the best of my knowledge, chartered ships.

The CHAIRMAN. They do not own any ships?

Mr. MOONEY. They do not, as I understand it, sir.

The CHAIRMAN. Is it an incorporated company?

Mr. MOONEY. I believe it is, sir.

The CHAIRMAN. Mr. Peck is the president?

Mr. MOONEY. I do not even know who the officers are, sir.

The CHAIRMAN. Do they operate ships regularly to Porto Rico?

Mr. MOONEY. They have been doing so for some considerable time.

The CHAIRMAN. In the passenger and freight business, or just freighters?

Mr. MOONEY. They operate—all their ships are operated as freight ships with the exception of one which they have under charter; I believe it is the *S. V. Luckenbach*, which has accommodations for perhaps 75 first-cabin passengers.

The CHAIRMAN. How many of these companies carry passengers?

Mr. MOONEY. In addition to our own, the Red D Line, and this one ship I have just mentioned.

The CHAIRMAN. What company operates the Red D Line?

Mr. MOONEY. Bliss, Wallett & Co. are the general agents.

The CHAIRMAN. Is it an incorporated company?

Mr. MOONEY. It is my understanding so; yes, sir.

The CHAIRMAN. What is the corporate name?

Mr. MOONEY. I do not know. I could not answer that.

The CHAIRMAN. You state to the committee if your firm or line has at any time been a party to any agreement or agreements or any understanding or understandings with any of these lines mentioned, or any other lines, as regards either the freight or passenger traffic to and from the United States to Porto Rico; and, if so, state the nature of the agreement and the understandings.

Mr. MOONEY. We have no arrangement either as to freight or passengers with any line.

The CHAIRMAN. You understand my question—it is not whether you have such an agreement, but have you had in the past?

Mr. MOONEY. No, sir; we have not.

The CHAIRMAN. Have you any agreement with any other line with reference to the division of traffic?

Mr. MOONEY. We have not, sir.

The CHAIRMAN. How many ports are there in Porto Rico?

Mr. MOONEY. We run regularly to from three to seven, but there are many small ports which we occasionally stop at when sufficient cargo offers—perhaps 15 would cover the total.

The CHAIRMAN. Is there any agreement or has there been between your lines and any one of the other lines mentioned, with reference to the division of ports that you will enter?

Mr. MOONEY. There is not, nor has there been, to my knowledge, sir.

The CHAIRMAN. Is there any regulation or agreement between them regulating the time and number of sailings between any designated ports in Porto Rico?

Mr. MOONEY. There is none.

The CHAIRMAN. Have you any agreement or understanding, whether it is a written agreement, verbal agreement, or gentleman's understanding, expressed by letters, or in any other way, fixing freight rates or passenger fares, and the maintenance and change of the same?

Mr. MOONEY. No, sir; we have not.

The CHAIRMAN. Have you any such agreement or understanding, deferred rebates, or other privileges and advantages?

Mr. MOONEY. We have none.

The CHAIRMAN. As between yourselves and shippers?

Mr. MOONEY. We have none between others nor with shippers. I might say, however, on that point, sir, we have special contracts with shippers, but no system of rebates.

The CHAIRMAN. Have you sample copies of those contracts showing the different forms of contracts?

Mr. MOONEY. I have, sir, here, and will be glad to furnish them.

The CHAIRMAN. You may furnish the committee a copy of each contract, showing the form of contract in existence between yourselves and the shippers. We do not want all the contracts, but we want every different form of contract between yourselves and the shippers.

Mr. MOONEY. I think, perhaps, a form for the outward and a form for the homeward would cover that, and I will leave them with the stenographer.

The CHAIRMAN. Let them be identified as exhibits.

The documents here submitted by the witness were marked by the stenographer "Exhibit No. 66," and are as follows: ●

EXHIBIT No. 65.

SWIFT & Co., "PONCE" REFRIGERATOR CONTRACT, FROM JUNE, 1912, TO MAY, 1913.

Memorandum of agreement made at New York this 23d day of May, 1912, between Swift & Co., hereinafter called the "Shippers," and the New York & Porto Rico Steamship Co., hereinafter called the "Steamship Company."

In consideration of the sum of \$1 paid by each to the other, receipt of which by each of the parties hereto is hereby acknowledged, and of the mutual covenants herein set forth, the parties hereto agree as follows:

I. The Steamship Company agrees that during the life of this contract and subject to the conditions specified below the Shippers are to have the exclusive use of both ice boxes or refrigerators at present installed on the steamship *Ponce*, for the transportation of fresh meats and other perishable products of the Shippers, at the rate of \$700 per trip, from New Orleans, La., to San Juan, P. R. (landed on dock at the latter port). The Shippers agree not to ship anything in the ice boxes which would be injurious to the boxes themselves, the refrigerating equipment, or the vessel. Also, the ice boxes are to be at the disposal of the Steamship Company on the return voyage from Porto Rico to New Orleans.

II. This contract is to start with the June, 1912, sailing of the *Ponce* from New Orleans and is to terminate upon delivery of the contents of the ice boxes at San Juan on the last sailing of the *Ponce* from New Orleans or New York in May, 1913.

III. The Steamship Company agrees to give the Shippers monthly sailings from New Orleans, but does not obligate itself to dispatch the *Ponce* for San Juan direct, but will have the vessel call at that port as soon after her arrival on the island as they can arrange. The Steamship Company further reserves the right to change its present schedule of sailings for the *Ponce*, should circumstances require it; but should it be arranged that the *Ponce* will sail from New Orleans more often than once a month, the Shippers are to have the use of the ice boxes the same as though she were dispatched monthly, the rate of freight to be adjusted on the basis of \$700 per trip.

The Steamship Company is to give the Shippers 10 days' written notice of each sailing of the *Ponce* from New Orleans or New York.

Furthermore, while it is the Steamship Company's intention to operate the *Ponce* regularly between New Orleans and Porto Rico, should circumstances necessitate her being ordered to New York for one trip, the Shippers are to have the option of using her ice boxes on the outward voyage from New York on the same terms and conditions as apply from New Orleans. Should the Shippers find themselves unable to use the ice boxes on said outward voyage, they may so notify the Steamship Company 15 days prior to the date of sailing, and no expense or penalty will attach to their failure to so ship, but in such an event the Steamship Company is to have the privilege of using said ice boxes on the aforesaid voyage.

If mishap to one of the steamship company's other passenger vessels, or some other happening of serious moment, now unforeseen, should necessitate the *Ponce* being diverted to the steamship company's New York service for more than one trip, the shippers are to have the option of continuing this agreement for the balance of the period it is to run on the same terms and conditions, except that the rate of freight is to be adjusted to the satisfaction of both parties. Should the shippers desire to cancel this agreement because of such diversion, they are at liberty to do so without expense or penalty.

IV. The steamship company further agrees to keep said boxes in good repair during the life of this contract, and also that said ice boxes shall be in proper condition to receive fresh meats, etc., when placed at the disposal of the shippers; the former is also to furnish the refrigeration and maintain whatever temperature is desired by the shippers. The shippers are to load the boxes at New Orleans under their own supervision and with their own employees, and the steamship company is to discharge same at San Juan at its expense.

V. The shippers shall pay freight on the ice boxes for each trip from New Orleans, whether employed or not, at the said rate of \$700 per trip. Freight under this agreement is to be paid at the New Orleans office of the steamship company within three days after steamer's sailing.

VI. The act of God, adverse winds, restraint of princes and rulers, the President's enemies, fire, pirates, accidents to machinery or boilers, and all other dangers and accidents of the seas, rivers, and navigation of whatever nature and kind soever during the said voyages always excepted.

And each shipment shall be deemed carried in respect of matters not herein provided for upon the terms of the steamship company's regular printed form of bill of lading, whether issued or not.

VII. If at any time during the life of this agreement the operations of either party should be interrupted by accidents, strikes, or causes beyond their control, they shall not be held to comply with the foregoing conditions as long as

the said causes continue to exist; but on the resumption of operations this contract shall again be in force.

VIII. It is mutually agreed that the shippers are to have the privilege of forwarding via steamers of other lines than those of the New York & Porto Rico Steamship Co. 10 per cent of all their provision shipments between the United States and Porto; but in consideration of the rate named hereunder on the *Ponce's* refrigerators, it is understood that during the life of this agreement all their remaining provision cargo is to be shipped by the steamship company's vessels.

IX. It is further mutually agreed that if any general reduction is made by the steamship company in its present freight rates on commodities handled by the shippers, the latter are to have the proportionate benefit of such reduction during the period for which it is in force, except that no reduction is to be made in the rates herein named on the *Ponce's* refrigerator space.

In witness whereof the said companies have executed this agreement in duplicate the day and year first above written.

SWIFT & Co.,
By A. R. FAY.
THE NEW YORK & PORTO RICO STEAMSHIP CO.,
By FRANKLIN D. MOONEY,
Vice President and General Manager.

Witnesses:

GEO. D. CHASE.
JNO. E. CRAIG.

DECEMBER 6, 1912.

Messrs. SWIFT & Co., Chicago, Ill.

GENTLEMEN: We acknowledge receipt of yours of the 30th ultimo, file E-217, which agrees in essential with the writer's conversation with your Mr. Chase except that this agreement will not cancel contract now existing.

The understanding is that the Porto Rico Line will transport not less than 90 per cent of packing-house products shipped by Swift & Co. from New York at our present tariff rate less 25 per cent, and Swift & Co. reaffirms agreement to confine to our line not less than 90 per cent of the packing-house products moving to Porto Rico.

Yours, truly,

General Freight Agent.

PORTO RICAN CONTRACT.

CHICAGO, November 30, 1912.

Mr. V. K. HULL,

General Freight Agent, New York & Porto Rican Steamship Co.,
11 Broadway, New York, N. Y..

DEAR SIR: This will confirm our telegram, 29th instant, advising we would accept the proposition you made our Mr. Chase, in New York on Monday, that on all Porto Rican provisions we may ship via your steamers from New York from date to end of December, 1913, we are to pay you your present tariff rates less than 25 per cent, and it is further understood that we are to ship via your steamers 90 per cent of our Porto Rican business. This new arrangement to cancel any previous agreements we may have had with you.

That there may be no misunderstanding, won't you kindly acknowledge receipt of this letter?

Yours, respectfully.

SWIFT & Co.,
Per A. R. FAY.

Mr. MOONEY. Many of the outward forms, Mr. Chairman, are in letter form, but they simply differ as to rates.

The CHAIRMAN. Without referring to them in detail, give us the general features of those contracts—in other words, do you give one shipper a less rate than any other shipper under any conditions whatever?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. Now, without referring to any detail, give us the general features of those contracts—in other words, do you give one shipper a less rate than another shipper under any conditions whatever?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. What are they?

Mr. MOONEY. For example, we have contracts for the carrying of sugar. We have one contract that covers a period of three years or more, which averages 70,000 tons of sugar—from 50,000 to 70,000 tons of sugar—originating at one plantation at which there is no ports and no other shipper from that particular place in the island. Southbound—meaning from the States to Porto Rico—we have made various contracts with shippers on a basis of regular sailings, covering a period of perhaps six months or a year.

The CHAIRMAN. Now, at a given time does a large shipper get a more favorable rate than a smaller shipper?

Mr. MOONEY. Yes, sir; all shippers get a more favorable rate possibly at certain times.

The CHAIRMAN. Well, take a particular sailing, cargoes going in the same vessel to the same port, of the same commodity. Does one shipper get a more favorable rate than another and, if so, under what conditions?

Mr. MOONEY. Yes, sir; he may in a case of that kind. As I say, there are times when our rates, because of competition which we meet, are, perhaps, lower than the tariff, possibly 50 to 70 per cent. The shipper, who is shipping on that particular steamer, may get 50 to 70 per cent. We have other contracts with shippers for a period of a year, who are willing to make it, perhaps, 25 per cent from our regular tariff on which we guarantee regular sailings, so that he is not interested in an extra discount. He wants us to make a contract with him to provide regular and frequent sailings.

The CHAIRMAN. But those differences in rates only apply to cases where you have a contract with a shipper covering a definite period, say six months or more, and providing for regular sailings?

Mr. MOONEY. Unless the shipper is willing, for any reason, to pay us even more than the best rate we can get at the time the ship is sailing.

The CHAIRMAN. A shipper would not be inclined to do that. would he, unless there was some special inducement?

Mr. MOONEY. He would, sir.

The CHAIRMAN. How is that?

Mr. MOONEY. For instance, there are times when there is a commodity that must move—machinery, perhaps, for sugar mills, that is urgently needed. Our space may be very limited. It may be a peculiar shipment of heavy machinery—boilers, engines, pieces weighing anywhere from 2 to 20 tons—and we may be allowing a discount on that particular steamer, but would not name on that particular shipment the lowest discount.

The CHAIRMAN. Of course, under those circumstances, he would rather pay the higher rate than to wait for another steamer?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Have you a copy of your tariffs between New York and Porto Rico?

Mr. HARDY. It seems to me you have not quite answered the question of the chairman as to whether or not, the conditions being precisely the same, you ever give preference to one shipper over another?

Mr. MOONEY. No, sir; we do not if conditions are identically the same.

Mr. HARDY. In other words, here is a man with 20,000 tons wanting to ship, and another man with only a thousand tons and there is nothing to cause a distinction except the amount——

Mr. MOONEY. Unless it be, sir, the conditions that surround the loading of it in the West Indies. In Porto Rico, for example, there are many places where we load sugar where the absence of a harbor would prevent our loading more than 2,000 bags a day, while there are other places where we might load eight or ten thousand bags.

Mr. HARDY. But suppose you are in the same harbor. I have freight there and another man has freight there; one is a big man and the other is a little man. Do you ever make any distinction between the two men on account of the quantity of the shipment?

Mr. MOONEY. Yes, sir; we do.

Mr. HARDY. Take the case I put of 20,000 tons and 1,000 tons; that is the only difference there is between them. What amount of difference do you make in that case?

Mr. MOONEY. In the case of the 20,000 tons perhaps we would name a rate, and in the case of the 1,000 tons we try to get perhaps a little more for it.

Mr. HARDY. In other words, you do make a reduction for large quantities?

Mr. MOONEY. Yes, sir; we do.

The CHAIRMAN. Now, give us the names of the shippers that get these less rates.

Mr. MOONEY. We have no regular tariff; we have a basic tariff, and we make our rates according to conditions and rates naturally vary. We have arrangements with a great many shippers. I can give you a list, however, of those with whom we have special contracts, perhaps 9 or 10.

The CHAIRMAN. They will be identified for insertion in the record.

The list referred to was marked by the stenographer "Exhibit No. 67," and is as follows:

EXHIBIT No. 67.

American Tobacco Co.
Daussa, P., & Co.
Gonzalez Padin Co.
Import Packing Co.
National Packing Co.
Ponce Pler Contract.
Swift & Co.—Ice box via New Orleans, packing-house products.
Texas Co.
Norton & Son—Gunnies.

The CHAIRMAN. Have you given us samples of the contracts with these shippers you name?

Mr. MOONEY. I will, sir; in fact, it is attached to the other contract. May I ask you for that contract, Mr. Chairman? I am perfectly willing to leave the form of the contract, but I think it has the rates in it.

The CHAIRMAN. How is that?

Mr. MOONEY. I will give you a form of the contract. That one has our rates in it, and I should like to have it if I may. I would prefer not to disclose the rates.

Mr. BURLINGHAM. Except to the committee?

Mr. MOONEY. Exactly. I think it is in there, Mr. Chairman.

The CHAIRMAN. We are not putting it in the record.

Mr. MOONEY. All right, sir.

The CHAIRMAN. Have you given us all the contracts you have with shippers?

Mr. MOONEY. I think I have, sir. It is one general form; there may be some change in the rates. If I have not, I shall be very glad to do so.

The CHAIRMAN. These all relate to one firm, don't they?

Mr. MOONEY. Yes, sir; but the form of contract is the same with all others, except as to port conditions where conditions are different.

The CHAIRMAN. Different contracts may quote different rates?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Have you brought all the contracts and agreements and other documents called for in the subpoena?

Mr. MOONEY. I have, sir.

The CHAIRMAN. Have you them there?

Mr. MOONEY. I think this composes all of them?

The CHAIRMAN. You mean that pile there?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Suppose you leave them with the committee, and we can look them over. We do not want to put them in the record, of course.

Mr. MOONEY. These are contracts. Is that my understanding of what you wish?

The CHAIRMAN. Yes; all those exhibits. We do not want them identified for the record.

Mr. MOONEY. Most of these are copies. I should like very much to have them back if I may, but should be glad to leave them here for such time as you wish them.

The CHAIRMAN. If there are any rates there, please leave copies.

Mr. MOONEY. I think there are one or two contracts that I did not have time to have copies made of.

Mr. HARDY. The only objection you have to leaving them is in leaving those with the rates in?

Mr. MOONEY. Yes, sir.

Mr. HARDY. You might leave copies with the rates left out.

Mr. MOONEY. I shall be very glad to leave this whole file.

The papers referred to were turned over to the committee.

The CHAIRMAN. Now, from the reports sent us by the Insular Line and the Porto Rico Steamship Co. we find that the rates are the same by both lines from New York to Porto Rico. I understood you to say, however, that there is no agreement or understanding between your line and that line with reference to rates?

Mr. MOONEY. That is correct, sir.

The CHAIRMAN. Explain that coincidence if you can—why the rates are the same.

Mr. MOONEY. I do not understand that the rates are the same. We have had very keen competition. Our general freight agent tells me almost daily of the rates made by others which we are obliged to meet.

The CHAIRMAN. That is true since Bull went in there, but prior to that time didn't you and the Insular Line have the same tariffs? Didn't you maintain them from New York to Porto Rico unless they were changed by consent?

Mr. MOONEY. No, sir; since the inception of the Insular Line, so far as I know, our rates have not been the same.

The CHAIRMAN. Then, if the rates are the same from New York to Porto Rico on like commodities, that is a mere coincidence. You have copies of their tariffs, have you not?

Mr. MOONEY. Of their tariffs?

The CHAIRMAN. Yes.

Mr. MOONEY. No, sir; I have not.

The CHAIRMAN. Do you know if they have copies of yours?

Mr. MOONEY. I presume they have.

The CHAIRMAN. How do they get possession of yours and you not get possession of theirs?

Mr. MOONEY. I have no doubt that they obtain them from shippers and then quote a slightly less rate than our tariffs in many instances. Perhaps in some they quote the same.

The CHAIRMAN. Yours is the stronger company, is it not?

Mr. MOONEY. Well, we are the older company and we have more ships.

Mr. HARDY. How is it that if you and they have no agreement, and you and the Bull Co. have no agreement, that there seems to be so much more of a state of warfare between you and the Bull Co. than between you and the Insular Line?

Mr. MOONEY. Well, sir, when the Bull Line entered the field they made the public announcement that they would cut our rates, as per circular which I will give to the stenographer—"a discount from our present tariff rates, and if the volume of business given us continues to improve further reductions may be expected."

The paper so produced by the witness was marked "Exhibit No. 68," and is as follows:

EXHIBIT No. 68.

NEW YORK, June 6, 1911.

DEAR SIRs: Our next sailing will be the steamship *Carolyn*, on Saturday, June 17, 1911, for San Juan, Arecibo, Mayaguez, Ponce, Arroyo, Fajardo, and any other port where sufficient cargo offers.

We wish to thank the shippers to Porto Rico for their liberal patronage and to give notice that commencing with the steamship *Carolyn* we will make a discount from our present tariff rates, and if the volume of business given us continues to improve further reductions may be expected with more frequent sailings.

Our reentry in the Porto Rican transportation trade has secured the shippers lower freight rates and more considerate treatment from all lines. Therefore simple justice entitles us to a fair part of the carrying trade between New York and Porto Rico.

Were we to withdraw the former high rates and conditions would immediately prevail; thus it is to the interests of Porto Rican shippers to keep the Bull Line going by continued patronage.

The economical management of our business and the control of our own steamers enables us to carry freight between the United States and Porto Rico as cheap, if not cheaper, than others, and it is our intention of so doing and to meet all competition. Therefore our mutual interests require you to see us before making your freight engagements.

For shipping permits and full information as to freight rates, etc., apply to

A. H. BULL & Co.,
General Agents.

Mr. HARDY. Right there. They issued a circular in which they proposed to give a discount from the present tariff rates. Do they say your tariff rates, or the Insular Line's tariff rates?

Mr. MOONEY. They do not in this circular, but it was based on our tariff rates, I believe.

Mr. HARDY. To an outsider it would present the appearance that the Insular Co. and your company had the same rates.

Mr. MOONEY. They would expect the shippers to know the rates were not the same.

Mr. HARDY. But, so far as the circular is concerned, your line's, the Insular Line's, and all the other other lines' rates would appear to be the same.

Mr. MOONEY. Yes; I should think so.

Mr. HARDY. The circular speaks of it as "present tariff rates." Taking that phrase in connection with that circular, if your rates and the Insular Line rates were the same, would not an outsider have reason to think there was some arrangement?

Mr. MOONEY. I would think he would have good reason to think so, if that was the case.

The CHAIRMAN. At this point: I have before me both the rates which were furnished by the New York & Porto Rico Steamship Co., 11 Broadway, New York City, and also the rates of the Insular Line, No. 16 Broad Street, New York, sent in reply to a letter asking for the current rates. The New York & Porto Rico Co.'s rates were furnished on August 29 and the Insular Line's rates on August 24.

Mr. MOONEY. Of this year, sir?

The CHAIRMAN. 1912. Referring to the New York & Porto Rico Steamship Co.'s tariff, the heading is precisely the same. Then, under the head of "goods, how charged," the New York & Porto Rico Steamship Co. quotes rates on annatto, per 100 pounds, 25 cents; the Insular Line, annatto, per 100 pounds, 25 cents.

On the next item the New York & Porto Rico Steamship Co. quotes the rate on bay rum in hogsheads, per 100 gallons ggc., \$2.50; bay rum, HHDS.—is that hogsheads?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. Per 110 gallons ggc., \$2.50.

The New York & Porto Rico Steamship Co. quotes a rate on "coffee in bags, per 100 pounds, 25 cents." The Insular Line, "coffee in bags, per 100 pounds, 25 cents."

These are rates from Porto Rico to New York and, by comparison, item after item is identical in both tariffs. One would seem to be a copy of the other. By examination, we find the same thing true in the rates from New York to Porto Rico. Do you think the committee would be warranted in the conclusion that both companies were maintaining the same rates by agreement?

Mr. MOONEY. Mr. Chairman, those rates are the basic rates.

The CHAIRMAN. Well, do you agree on basic rates or any other rates?

Mr. MOONEY. We agree on nothing, sir; absolutely.

The CHAIRMAN. It is just as hard to solve it, whether they are the basic rates or the actual rates.

Mr. WILSON. How are the basic rates arrived at?

Mr. MOONEY. The rates were made by our company; but when a competitor comes into the field, as in the case of the Insular and Bull Lines, they have taken our tariffs and simply reprinted or used them as the basic rates, and then name to the shipper a slightly or more, as the case may be, greater discount. But those rates, while they are the tariff rates, are not in effect in a great many instances.

Mr. HARDY. If you found the Insular Line naming rates cutting under your rates, would you take the same attitude toward them as you have in reference to the Bull Co. and proclaim a war? Whether they did it by a published circular or by a private cutting under you, you would soon find it out, would you not?

Mr. MOONEY. Yes, sir.

Mr. HARDY. Then there would be a war?

Mr. MOONEY. We would have to meet the rates named or lose the business.

Mr. HARDY. Then, if you had declined to have any agreement with Mr. Bull, it would have been all right if he had simply gone on and regarded your arrangement of rates?

Mr. MOONEY. I do not see how we could help his naming, or anyone else naming, the same rates we had.

Mr. HARDY. Then there would have been no war?

Mr. MOONEY. We would have tried to get all the business we could, based on a superior service.

Mr. HARDY. As I understand your position, you assume the attitude that you fix the rates, and if anybody cuts under you, there is a war?

Mr. MOONEY. We name the rates originally, and if they do not produce the business we have to shrink the rates.

Mr. HARDY. And if you should see any difference between your arrangement, as you state, and the Bull and Insular Lines' tariffs—

Mr. MOONEY. We would meet it, sir.

Mr. HARDY. You would meet it?

Mr. MOONEY. Yes, sir.

Mr. HARDY. But still, somehow or other, there is a course of conduct between you and the other lines and not between you and the Bull Line?

Mr. MOONEY. There is none between the other lines.

Mr. HARDY. Well, you manage to meet their rates.

Mr. MOONEY. We meet their rates and we would meet anybody else's rates. We meet the Bull Line's rates, and we have to do so to get the business.

The CHAIRMAN. Have you ever had any friction with the Insular Line in the cutting of the rates?

Mr. MOONEY. Yes, sir; we have, sir.

The CHAIRMAN. How often and how recently?

Mr. MOONEY. We have cut the rates continually, and they meet us right along. We are at the present time receiving letters from the

shippers and others that they are naming lower rates, and we must either meet them or lose the business. I have several letters here, if I may read one or two.

The CHAIRMAN. Yes; read one or two in the record.

Mr. MOONEY. Under date of April 28, 1911, the following letter was addressed to V. K. Hull, general freight agent, New York & Porto Rico Steamship Co., by Wilson Bros., Brooklyn, N. Y.:

Upon receiving our Bs/L this week we note that you have charged the same rate as heretofore. We have continued giving your line this business, but it would seem when we can make shipments via other lines at a less rate that your company should give us as equally a low one.

Will you kindly advise in reference to this?

Yours, very truly,

WILSON BROS.

The letter above read was marked "Exhibit No. 69," and filed with the committee.

Mr. BURLINGHAM. Was the Bull Line in operation then?

Mr. MOONEY. I believe it was, sir. In fact, I am sure it was.

Here is another letter, addressed to the New York & Porto Rico Steamship Co. from Mr. W. N. Martin, of San Juan, P. R.:

AUGUST 4, 1911.

NEW YORK & PORTO RICO STEAMSHIP Co.,
12 Broadway, New York.

DEAR SIRS: I am shipping with you weekly. I am paying you more freight than anyone in my line of goods—produce. My competitors are shipping by the Bull and Insular Lines and getting 60 per cent cut in freight rates. Now, do you think I can stand that very long? It looks to me that if I want to continue in business and to so continue I must meet competition, and the only way to meet it is to ship by the other lines. This means that a sack of potatoes by your line is 50 cents and on other lines is 20 cents. I don't want to go to the other lines, but the price is driving me there. Let me hear from you.

The letter above read was marked "Exhibit No. 70," and filed with the committee.

The CHAIRMAN. Have you any letter complaining of the Insular Line rates before the Bull Co. entered the business?

Mr. MOONEY. I do not know that I have with me, but we can easily produce the statements of many shippers prior to that time. I just gathered up two or three of these.

Mr. WILSON. With reference to this last letter, the correspondent mentions that his competitors are getting their goods carried at 60 per cent less than your rates.

Mr. MOONEY. Yes, sir.

Mr. WILSON. Could your competitor carry those articles at 60 per cent less without carrying them at a loss?

Mr. MOONEY. I do not think so, sir.

Mr. WILSON. If he continued to carry them at 60 per cent less, it would eventually use up his capital?

Mr. MOONEY. I think it would if all of his business was on that basis.

Mr. WILSON. If it were true, then, you have no particular fear of competition from him ultimately?

Mr. MOONEY. If he chose to make the rate so unremunerative as not to be able to continue, he naturally must cease.

Thereupon, at 11.28 o'clock a. m., the committee took a recess until 1.30 o'clock p. m.

AFTER RECESS.

At the expiration of the recess the committee assembled.

The CHAIRMAN. Mr. Mooney, you may proceed.

Mr. MOONEY. Mr. Chairman, so that I can make as clear as I possibly can the question of tariffs and rates, which I think was under discussion when we discontinued this noon, I would like to say that the New York & Porto Rico Steamship Co. was the original line to Porto Rico, we having operated there for perhaps a little over 20 years; the Insular Line and the Bull Line having come in, the former about five years ago, and the latter two years ago, and simply adopted our freight tariffs, which they distributed, having obtained copies from shippers or elsewhere, as a matter of convenience, and it has not the slightest significance; in other words, we never had, nor do we now have any arrangements or agreements either directly or indirectly with either of the other lines. I was afraid perhaps I had not made that clear this morning, and I would like to emphasize just as much as I can.

The CHAIRMAN. Not even a "gentleman's agreement"?

Mr. MOONEY. Not even a "gentleman's agreement," sir.

The CHAIRMAN. Is there anything in common in the personnel of the different lines; for instance, between the Insular Line or your line, in ownership or control?

Mr. MOONEY. No, sir; there is not the slightest.

The CHAIRMAN. Is there any common ownership as between your line—you have mentioned two or three of the lines—the Red Star, for instance?

Mr. MOONEY. The Red D?

The CHAIRMAN. The Red D..

Mr. MOONEY. There is not. We have no interest, either directly or indirectly, in any other line that operates to and from Porto Rico.

Mr. HARDY. Have you not directors in common?

Mr. MOONEY. We have no interlocking directories, if I may use that word.

Mr. HARDY. You mean that the men who own the New York & Porto Rico Co. do not own any interest in any of these other companies?

Mr. MOONEY. Yes, sir; I mean that exactly.

Mr. HARDY. They are simply confined to that one company?

Mr. MOONEY. To the New York & Porto Rico Steamship Co. only.

The CHAIRMAN. Who is the president of your company?

Mr. MOONEY. Henry R. Mallory.

The CHAIRMAN. Is it an American corporation?

Mr. MOONEY. Yes, sir; it is.

The CHAIRMAN. Organized under the laws of what State?

Mr. MOONEY. New York.

The CHAIRMAN. And with what capital?

Mr. MOONEY. \$50,000.

The CHAIRMAN. How many ships does the company own and operate?

The CHAIRMAN. We own to-day 14, and during the busy season operate anywhere from 14 to 20.

The CHAIRMAN. You own 14 and operate them?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. And then when the increase comes you operate chartered vessels?

Mr. MOONEY. During the sugar season, when the crops are moving, we charter other vessels.

Mr. HARDY. Did you say \$50,000 capital?

Mr. MOONEY. Yes, sir.

Mr. HARDY. That is undercapitalized, then?

Mr. MOONEY. Well, that is the operating company.

Mr. HARDY. Who is it that owns these ships?

Mr. MOONEY. The parent company is the New York & Porto Rico Steamship Co. of Maine, and we charter our ships from the parent company, they being merely a financial company.

Mr. Post. What is the tonnage of the 14 vessels owned by the parent company?

Mr. MOONEY. Offhand, I should say about a little over 50,000 tons.

Mr. Post. What does your going freight consist of?

Mr. MOONEY. Consists of machinery, packing-house products, dry goods, rice, flour, furniture, and general cargo of every description.

Mr. HARDY. What is this parent company, of Maine? What is its business?

Mr. MOONEY. Merely a financial company owning the ships.

Mr. HARDY. What is the purpose of having one company to own the ships and another to run them?

Mr. MOONEY. The only answer that I can give to that, sir, is that it is merely for a financial company, owning the ships, and the operating company—the New York company—so that I have nothing to do with the financial end of it.

Mr. HARDY. What is the capital of this parent company?

Mr. MOONEY. \$8,000,000.

Mr. HARDY. Does it own any other vessels except those that you charter?

Mr. MOONEY. No, sir; it does not.

Mr. HARDY. Eight millions of capital for these 14 vessels and their properties?

Mr. MOONEY. Yes, sir.

Mr. HARDY. What other properties have they got?

Mr. MOONEY. I will correct that statement. The New York company owns a pier in Porto Rico, but the parent company owns nothing but the ships and good will and fixtures, etc.

The CHAIRMAN. What do you call the parent company?

Mr. MOONEY. The New York & Porto Rico Steamship Co. of Maine.

Mr. THAYER. Do they have the same directors?

Mr. MOONEY. No, sir; they have not. They have the same directors, but not so many in the operating company. There are but four in the operating company, and, I think, seven in the holding or parent company.

Mr. THAYER. The four directors in the operating company are in the parent company?

Mr. MOONEY. In the parent company; yes, sir.

Mr. HARDY. A kind of an organization within an organization?

Mr. MOONEY. Yes, sir; exactly. The four directors of the operating company are four directors in the parent company.

Mr. HARDY. You can give us no reason for that dual organization?

Mr. MOONEY. Except, originally, I suppose it was for the purpose of financing the ships.

The CHAIRMAN. And is there any relation between either one of those companies and the Atlantic, Gulf & West Indies Steamship Co.?

Mr. MOONEY. Yes, sir; the New York & Porto Rico Steamship Co., of Maine, is owned by the Atlantic, Gulf & West Indies Steamship Co.

The CHAIRMAN. That is the parent company?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. The Atlantic, Gulf & West Indies Steamship Co.

Mr. HARDY. Now, does anybody own the Atlantic, Gulf & West Indies Co.? [Laughter.] We want to get the end of it. Who owns that?

Mr. MOONEY. An endless-chain proposition?

Mr. HARDY. Yes.

Mr. MOONEY. The Atlantic, Gulf & West Indies Steamship Co. owns the entire stock of the New York & Porto Rico Steamship Co., of Maine.

Mr. HARDY. And what other companies do they own?

Mr. MOONEY. The Atlantic, Gulf & West Indies Co.?

Mr. HARDY. Yes.

Mr. MOONEY. Well, they own the Mallory Line, the Clyde Line, and the New York & Cuba Mail, and that is as far as I know. I am not a director in that.

Dr. HUEBNER. The Texas City Line?

Mr. MOONEY. Yes.

Mr. HARDY. Then, who owns the Atlantic, Gulf & West Indies Co.? You have got to the men higher up when you get to them?

Mr. MOONEY. I think so; yes, sir.

Mr. HARDY. What is the capital of that Atlantic, Gulf & West Indies Steamship Co.?

Mr. MOONEY. Well, I can not say, exactly. My recollection is that it is \$30,000,000, but I can not answer for the Atlantic, Gulf & West Indies Steamship Co. I am not an officer of that, sir.

The CHAIRMAN. We have got back to the parent of all, and what relations, if any, are there between the Atlantic, Gulf & West Indies Steamship Co. and the Insular Line?

Mr. MOONEY. None whatsoever, sir.

The CHAIRMAN. Is there any relation between any of the subsidiary lines of the Atlantic, Gulf & West Indies Steamship Co. and the Insular Line?

Mr. MOONEY. None whatever.

The CHAIRMAN. Has Mr. Hugh H. Harrison any connection in any way with the Atlantic, Gulf & West Indies Steamship Co. or the Porto Rico Steamship Co., of New York or Maine?

Mr. MOONEY. He is not connected, either directly or indirectly, in any way with any of the companies that you mentioned.

The CHAIRMAN. Is that true of Mr. Joseph D. Phillips?

Mr. MOONEY. Yes, sir; that is equally true of him, also.

The CHAIRMAN. Robert W. McNeal?

Mr. MOONEY. Likewise. I have never heard the gentleman's name before, but I know he has no interest with us or we with him in any way.

The CHAIRMAN. Do you know anything about this concern or corporation—the Corporate Organization & Audit Co.?

Mr. MOONEY. I know there is such a concern, but I know nothing about it, sir.

The CHAIRMAN. And the name you would not associate with the steamship business, would you?

Mr. MOONEY. Naturally, not.

The CHAIRMAN. Are there any other questions with reference to Porto Rico matter, gentlemen?

Mr. HARDY. I have none.

The CHAIRMAN. The charge has been made here that the ships of the Insular Line were used by the Porto Rico Steamship Co. in that trade between New York and Porto Rico as fighting ships. What do you know of that, if anything?

Mr. MOONEY. That is absolutely untrue, sir.

The CHAIRMAN. That is, as far as your company is concerned?

Mr. MOONEY. I mean as far as we are concerned. I can answer only for ourselves.

The CHAIRMAN. What other trades are you engaged in?

Mr. MOONEY. As an officer of an operating company?

The CHAIRMAN. As a company; that is, the Porto Rico Steamship Co.

Mr. MOONEY. Oh, the Porto Rico Steamship Co. We are engaged in no other trade except the Porto Rico trade, but we use our ships along the coast in the dull season, or anywhere else, for that matter. We recently have sent one abroad.

The CHAIRMAN. What other companies are you an officer or director in?

Mr. MOONEY. I think I said this morning, but I will be glad to say now: The New York & Cuba Mail, the Mallory Steamship Co., the Clyde Steamship Co., both New York and Porto Rico steamship companies, and I am general manager of the Clyde Santo Domingo Line.

The CHAIRMAN. Is that the only line operating to Santo Domingo?

Mr. MOONEY. Yes; it is; from New York.

The CHAIRMAN. Is there any agreement between your company and those operating to Haiti, whether in writing or otherwise, as regards either freight or passenger traffic to or from the United States to Santo Domingo?

Mr. MOONEY. I can answer that as I did the other: We have no arrangements, directly or indirectly, written, oral, or otherwise, with any other line or lines operating to Santo Domingo.

The CHAIRMAN. How long have you been operating ships there? That is the only line that is operating ships to Santo Domingo from New York?

Mr. MOONEY. Well, the Clyde Steamship Co. has been operating there for over 30 years. I have been in charge of it for the last five years. During the period of 30 years and more there has been competition at various times, other lines operating for a short time; and we have direct competition, of course, with European ports.

The CHAIRMAN. There has been no other line operating to Santo Domingo since you have had charge of the line?

Mr. MOONEY. Yes, sir. There was one line called the Dominican Line, I believe, which chartered one ship and ran here for a short time, operated by two or three merchants in New York.

The CHAIRMAN. Is there an understanding between your company and any other company that you shall have that trade exclusively?

Mr. MOONEY. No, sir; there is not.

The CHAIRMAN. But your right to that territory is not challenged by anyone else and has not been since you have been connected with the company?

Mr. MOONEY. Except in the instances that I have mentioned.

The CHAIRMAN. Do you know whether there has been any arrangement in the past by which you were to have the exclusive entry to Dominican ports?

Mr. MOONEY. Not within my time; and, so far as I know, not within the time of the company.

The CHAIRMAN. How many ships do you operate to Santo Domingo?

Mr. MOONEY. Just now, three American ships. We own and operate 10 ships during the winter season.

The CHAIRMAN. Do you give a regular service?

Mr. MOONEY. Yes, sir; we give a regular service—freight service—and additional freight ships to meet the situation, cargo, both north and south.

The CHAIRMAN. Do you carry mail also?

Mr. MOONEY. Yes, sir; we do carry mail under the usual ocean postage arrangement, but without any contract with the company.

The CHAIRMAN. That is the international agreement?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. All of your ships are under a foreign flag?

Mr. MOONEY. Three are under the American flag.

The CHAIRMAN. What three are they?

Mr. MOONEY. The three we operate are the *Seminole*, the *Algonquin*, and the *Cherokee*. During the winter season sometimes the *Cherokee* is temporarily withdrawn to make some repairs.

The CHAIRMAN. Are those excursions vessels you mention?

Mr. MOONEY. They are regular liners engaged in the freight and passenger trade. We have a regular schedule leaving here twice a month—generally every 10 days. We visit all the ports of Santo Domingo, stopping at Turks Island on the way south.

The CHAIRMAN. Do you operate a service from New Orleans to Porto Rico?

Mr. MOONEY. The Porto Rico lines run from Galveston, New Orleans, and Port Arthur to Porto Rico.

The CHAIRMAN. The Porto Rico Steamship Co. operates those ships?

Mr. MOONEY. Those to Porto Rico.

The CHAIRMAN. You have a regular service from New Orleans.

Mr. MOONEY. We have a regular service from New Orleans.

The CHAIRMAN. How often a month are your sailings?

Mr. MOONEY. About from two to five. Just now we operate four ships a month out of New Orleans to Porto Rico; and one or two ships a month out of Galveston to Porto Rico.

The CHAIRMAN. What other lines operate out of New Orleans to Porto Rico?

Mr. MOONEY. None that I know of.

The CHAIRMAN. And out of Galveston?

Mr. MOONEY. None, just at present.

The CHAIRMAN. Has your company an agreement or understanding with any other company or companies with reference to that trade out of New Orleans to Porto Rico, or out of Galveston to Porto Rico, or out of Texas City?

Mr. MOONEY. We have no arrangements or agreements there or anywhere else, sir.

The CHAIRMAN. Is your company, or the Atlantic, Gulf & West India Steamship Co., or the parent company, or any of its subsidiaries, to your knowledge, a member of any conference?

Mr. MOONEY. We are members, the New York & Porto Rico Steamship Co., of a conference or at least an association in New Orleans. I will have to look it up; I think it is in my report. It has nothing to do with distribution of territory or the fixing of rates, or anything of that nature; but deals with things in common, bills of lading, receipts, and so forth.

Dr. HUEBNER. The Gulf Freight Conference?

Mr. MOONEY. The Gulf Freight Conference, I think it is.

The CHAIRMAN. As this is the only line operating out of New Orleans and out of Galveston to Porto Rico, what occasion is there for you to be in any conference—this Gulf Freight Conference, I believe they call it.

Mr. MOONEY. Merely for educational purposes or information. We have our agent there representing us. General subjects are taken up—bills of lading, receipts, dock questions, and all that sort of thing. All steamship companies, or most all, I think, are members there at New Orleans.

The CHAIRMAN. You mean to say they want uniform bills of lading? That is, as far as the obligation on the part of the company and on the part of the shipper is concerned?

Mr. MOONEY. We all use the same bill of lading or receipts.

The CHAIRMAN. That relates, rather, to the liability of the company to the shipper and vice versa?

Mr. MOONEY. Exactly, sir.

The CHAIRMAN. Do they have uniform bills?

Mr. MOONEY. Just as far as possible, so that a shipper shipping with us knows he is getting exactly what he would with any other line, or the reverse.

The CHAIRMAN. Or in any other trade?

Mr. MOONEY. Or in any other trade; exactly, sir.

The CHAIRMAN. Did you take the initiative in making overtures to Bull & Co., with reference to the Porto Rican trade?

Mr. MOONEY. No, sir; we did not. I explained that in my statement this morning.

The CHAIRMAN. That is what I thought. I understood your statement to be to the effect that Bull came to you and made the overtures to you—

Mr. MOONEY. Voluntarily, sir.

The CHAIRMAN (continuing). That he was ready to come in if he could effect an amicable working agreement with you?

Mr. MOONEY. That is correct.

The CHAIRMAN. And you rejected all overtures, and the result is that the people of Porto Rico are getting the benefit?

Mr. MOONEY. That is it exactly, sir; the shippers are enjoying it.

The CHAIRMAN. We understood from the testimony of Mr. Bull that you threatened him that if he entered into the Porto Rican trade you would turn around and enter into competition with him in the coastwise trade; tell the committee whether any such threat as that was made by you?

Mr. MOONEY. We have been in the coastwise trade for a great many years, using our ships there when there is not any business offering in Porto Rico, practically during the off season, or when the sugar crop is at its minimum and is not moving north. We have to charter our ships in the coastwise business—bulk business principally—and the new ships, the four which we have built in the last two years, while they are built with the idea of using them practically in the Porto Rican trade, they are especially adapted to all bulk business. We have been in that trade for some time, and I told Mr. Bull at that time there was no reason in the world why we should not continue in that trade, and we were going to build ships to be in that trade.

The CHAIRMAN. There is some testimony also with reference to Mr. Luckenbach, that he was also in it—I do not recall just when—but he was threatening to go into the Porto Rican trade, and that you effected an amicable arrangement with him by which you charter several of his ships—it is my recollection he said three, and I think the record shows that—at a very remunerative price in order to keep him out, and with the agreement that he will not come into that trade.

Mr. MOONEY. Is not that the testimony in connection with the Insular Line? We have never made any proposition with Mr. Luckenbach to use any of his ships.

The CHAIRMAN. It may be. As I remember, the testimony says that somebody chartered Luckenbach's ships in the Porto Rican trade. You say it is not your company?

Mr. MOONEY. No, sir; but I did say this morning that Luckenbach's ships were employed by the Insular Line. Under what arrangement, of course, I do not know.

The CHAIRMAN. What relations have you with any railroad or railroads—American railroads?

Mr. MOONEY. We have no relations of any kind with railroads as to freight or otherwise.

The CHAIRMAN. And no prorating privilege?

Mr. MOONEY. We do not prorate with anyone.

The CHAIRMAN. You just take the freight as it is tendered on the docks at New York and carry it to Porto Rico?

Mr. MOONEY. Port-to-port business exclusively.

The CHAIRMAN. Have you any arrangement with them by which you should have an exclusive dock privilege at any pier in New York, which excludes Mr. Bull or anyone who is engaged in the Porto Rican trade? Have the railroads given you any exclusive advantage over him in the matter of loading and unloading your ships?

Mr. MOONEY. We lease our piers, 35 and 34 Atlantic Basin, in Brooklyn, from the New York Dock Co. We have always docked our ships in Brooklyn at the piers of the New York Dock Co. We have no arrangement with the railroads or otherwise for the ex-

clusive use of any piers. We lease those piers entirely, and anyone else can do the same.

The CHAIRMAN. Do they belong to the city, or is the New York Dock Co. a private corporation?

Mr. MOONEY. Yes; that is a private corporation, and they have piers to rent to-day.

The CHAIRMAN. So you have no advantage in that regard?

Mr. MOONEY. Not the slightest. We have always done business in Brooklyn. While we would like to do business on Manhattan Island, we do our business in Brooklyn at the present time.

Mr. THAYER. Do you give through bills of lading?

Mr. MOONEY. We do not, sir.

The CHAIRMAN. How do the rates from New Orleans, Galveston, and Port Arthur compare with the rates from New York to Porto Rico?

Mr. MOONEY. The rates from New Orleans to Porto Rico are probably about 15 per cent higher than the rates from New York to Porto Rico. The rates from Port Arthur and Galveston to Porto Rico average, perhaps, 20 per cent higher than the New York rates.

The CHAIRMAN. Why is that?

Mr. MOONEY. The distance is greater in both instances. The volume of business is less, and the cost of operation is increased in nearly every way. It costs us more for bunker coal and the dock facilities at Galveston cost us very much more. I think I can give you the mileage, roughly.

The CHAIRMAN. Yes.

Mr. MOONEY. One thousand three hundred and eighty from New York to San Juan, P. R., and about 1,500 from New Orleans to Porto Rico—San Juan; and about 1,800 from Galveston. That is as near as I can remember it.

The CHAIRMAN. One thousand four hundred and eighty-two you say, from—

Mr. MOONEY. From New Orleans to San Juan about 1,480 miles—nautical miles.

The CHAIRMAN. That difference in distance would be negligible if the other conditions were the same, would it not?

Mr. MOONEY. If there were a considerable volume, perhaps the rates would be more nearly on a parity.

The CHAIRMAN. Now, what commodities are carried from New Orleans to Porto Rico?

Mr. MOONEY. Principally rice, flour, packing-house products, machinery, and general cargo; not quite as much, however, as moves from New York; also oil out of Port Arthur.

The CHAIRMAN. Take rice; what is the rate from New Orleans to Porto Rico?

Mr. MOONEY. Twenty cents a hundred pounds, I think; my tariff is there. I think I am right on that.

The CHAIRMAN. What is it out of New York?

Mr. MOONEY. I think it is at present 17 or 18 cents.

The CHAIRMAN. And out of Galveston?

Mr. MOONEY. Five cents higher, as I remember; 27 cents, I think, out of Galveston.

The CHAIRMAN. On your return cargo from Porto Rico what per cent of your cargo is contract cargo?

Mr. MOONEY. I should think easily 85 per cent.

The CHAIRMAN. Of what does that consist?

Mr. MOONEY. Principally sugar, sir. We carried last year 200,000 tons. Fruit and tobacco follow next in the line of quantity. The other commodities mentioned move only in very small parcels.

The CHAIRMAN. From New York to Porto Rico what per cent of the cargo is contract trade?

Mr. MOONEY. A very small proportion, indeed.

The CHAIRMAN. About what?

Mr. MOONEY. Oh, I should think 10 per cent would be pretty large.

The CHAIRMAN. Are the vessels full going from New York?

Mr. MOONEY. Just at this time of the year they are, but during other seasons we go out with a third or a half. In fact, our ship that sails to-morrow has perhaps less than a half cargo.

The CHAIRMAN. Referring to your contracts with shippers northward from Porto Rico, do they include a provision to the effect that the shipper must patronize your line exclusively?

Mr. MOONEY. When we make a contract, principally on sugar, if that is the only contract trade we have north, we contract for the output of an entire central or mill, as appears from the copies of the agreement I left with you this morning, there being no other shipper in many of those places, merely a plantation or mill.

The CHAIRMAN. You call at different points in Porto Rico where there are plantations for your freight?

Mr. MOONEY. Yes, sir.

The CHAIRMAN. As I understand, at some points there are no shipping facilities—no facilities for loading the sugar. It costs very much more at some places to load sugar than at others, but you aim to go around and gather up the sugar from the different plantations where it is possible?

Mr. MOONEY. I would like to explain just a little on that point. There are but two ports at which there are piers in Porto Rico—San Juan, and a pier at the Guanica Central, at a port called Guanica on the south side. At all other ports the cargo is discharged into lighters, where many times we are unable to discharge because of the condition of the sea. At other ports we discharge in the open roadsteads where there is no harbor. In those ports we sometimes have to go back two or three times for the same cargo, being unable to land it because of weather and sea conditions. In only two ports can we discharge at docks, and that regulates the rate northbound and southbound in many instances, because the conditions are entirely unlike.

The CHAIRMAN. Do the Insular Line and the Porto Rico Steamship Co. carry the same general class of cargo?

Mr. MOONEY. Yes, sir; all the lines operating, with perhaps the exception of the Red D Line, who carry no sugar at all, all carry pretty much the same class of cargo both north and southbound.

Mr. HARDY. Why does not the Red D carry sugar north?

Mr. MOONEY. Because their line is principally between New York and South America, Venezuela, and other ports, and they just stop in at a given port northbound and southbound in Porto Rico, and carry a very limited quantity of cargo, perhaps five or six hundred, or a thousand tons; and their principal cargo north is coffee, and it is undesirable to load raw sugar in the same compartment with coffee.

Mr. HARDY. They do not carry sugar because of its objectionableness——

Mr. MOONEY. To the other cargo; yes, sir. Mr. Chairman, if I have not made myself clear, or you need me at any time further, I shall be very glad to appear.

Mr. HARDY. You say you give no through bills of lading?

Mr. MOONEY. We do not, sir.

Mr. HARDY. By that, you mean you do not give bills of lading to any interior points?

Mr. MOONEY. We do not; that is correct.

Mr. HARDY. Have you no understanding at all by which you can prorate with one of the railroads?

Mr. MOONEY. We have no prorating; our business is strictly a port-to-port business.

Mr. HARDY. Your owners are the owners of the New York & Porto Rico Steamship Co. of Maine; are they railroad people as well as steamship people?

Mr. MOONEY. No, sir; merely a holding company; they do absolutely a steamship business; nothing else.

Mr. HARDY. That is, with reference to your company at New York?

Mr. MOONEY. And our company of Maine, also. They are merely a holding company for steamships, and have to do with the operating of a steamship company.

Mr. HARDY. When you get into this higher-up concern——

Mr. MOONEY. It is only a steamship company, and has nothing to do with railroads.

Mr. HARDY. Your company, then, is strictly out on the ocean?

Mr. MOONEY. Absolutely, sir.

The CHAIRMAN. Is it a fact that the weeks that Bull has sailings to Porto Rico that you cut your rates?

Mr. MOONEY. We meet the rates on every week or any time to get the cargo. It does not make any difference whether it is the Bull Line or the Insular Line, or anybody else, in order to get the cargo we meet the rates, if we think it is desirable to get the cargo, or else do not make the rate, and naturally do not get the cargo.

The CHAIRMAN. That is all.

Mr. MOONEY. Thank you.

TESTIMONY OF CHESTER B. KELLOGG, GENERAL FREIGHT AGENT MUNSONS STEAMSHIP LINE, 82 BEAVER STREET, NEW YORK, N. Y.

The witness was duly sworn by the chairman.

The CHAIRMAN. Please give the committee your name, address, and your business relations with any steamship company or companies?

Mr. KELLOGG. Chester B. Kellogg, 82 Beaver Street, New York, general freight agent, in charge of all general cargo southbound on the Munson Line routes, and on lines for which we are agents.

The CHAIRMAN. What other lines are they?

Mr. KELLOGG. The Boston-Havana Steamship Line, and the——

The CHAIRMAN. What is the last?

Mr. KELLOGG. Compania Maritina Cubana—the steamship company of Cuba.

The CHAIRMAN. What is the one you first named there?

Mr. KELLOGG. The Munson Steamship Line. We operate a line from Mobile, Ala., to Uruguay and Argentina, and from Mobile, Ala., to Cuban ports.

The CHAIRMAN. Take that company up. The Munson Line is a corporation incorporated under the laws of what State?

Mr. KELLOGG. The State of New York.

The CHAIRMAN. What is the capital?

Mr. KELLOGG. I am not quite sure as to just what the capital is. I think it is about \$750,000.

The CHAIRMAN. How many ships are owned by the line?

Mr. KELLOGG. None directly by the line.

The CHAIRMAN. How?

Mr. KELLOGG. None directly by the line; we charter the ships.

The CHAIRMAN. The ships are all chartered?

Mr. KELLOGG. Chartered ships.

The CHAIRMAN. From whom are they chartered?

Mr. KELLOGG. From foreign owners mostly—British, Norwegian, German, and in some cases we are able to charter American steamers lately because of the very high cost of tonnage the world over.

The CHAIRMAN. What companies principally do you charter from?

Mr. KELLOGG. We charter from New York brokers who represent numerous owners on the other side.

The CHAIRMAN. Their ships are all operated under the foreign flag?

Mr. KELLOGG. All under the foreign flag, except the few we may charter of American steamers from time to time as the market will allow.

The CHAIRMAN. You have one line out of Mobile. What lines do you operate out of New York?

Mr. KELLOGG. We are agents out of New York for the Compania Maritima Cubana, and we operate tramp service from New York. We operate tramp steamers in and out of New York.

The CHAIRMAN. What points in Cuba do you operate your ships to?

Mr. KELLOGG. Under the head of the New York service?

The CHAIRMAN. Yes.

Mr. KELLOGG. Matanzas, Cardenas, Sagua. Caibarien, Nuevitas, Chaparra, Puerto Padre, Gibara, and Nipe Bay.

The CHAIRMAN. Are there any other lines between New York and those ports that you mentioned?

Mr. KELLOGG. The Royal Mail Steamship Co. stops at the West Indies at the port of Nipe Bay.

The CHAIRMAN. Is that the only one to that port?

Mr. KELLOGG. That is the only one to that port. There is another line, with irregular service, that touches most any port they can get cargo for.

The CHAIRMAN. What commodities do you handle out of New York?

Mr. KELLOGG. Well, all kinds of commodities. A great many food supplies, like flour, packing-house products, grain, all kinds of hardware, iron, steel, machinery, and railroad material.

The CHAIRMAN. Is there any understanding or agreement, either in writing or otherwise, between your line and the Royal Steam Packet Co. with reference to the port of Antilla?

Mr. KELLOGG. There is none; no, sir.

The CHAIRMAN. We ascertained on investigation that the rates of the two lines to this port are identical. Is this another case where the smaller follows the rates of the larger?

Mr. KELLOGG. We have been operating into Nipe Bay ever since it became a port. The Royal Mail started in there possibly a couple years ago, in order to add a little freight to their West Indian service, and naturally they followed our rates. They go so far as to ask us whether our rates are being maintained in some cases where shippers have claimed that they have had lower rates.

The CHAIRMAN. There is no agreement between you to maintain those rates?

Mr. KELLOGG. No agreement whatever.

The CHAIRMAN. You have no understanding or gentleman's agreement or otherwise?

Mr. KELLOGG. None, whatever.

The CHAIRMAN. To maintain rates or fix rates?

Mr. KELLOGG. None, whatever.

Mr. HARDY. When they ask you if your rates are being maintained, do you not understand that is an intimation that they want to know whether you are fighting their rates and expressing their purpose to stand by their rates?

Mr. KELLOGG. Naturally, the relations would be friendly.

Mr. HARDY. The implied understanding in that very question is that they are maintaining rates?

Mr. KELLOGG. We would naturally think that they were maintaining these rates.

Mr. HARDY. That is the way you understand it?

Mr. KELLOGG. We can not always find that they are; we sometimes believe they are not.

Mr. HARDY. At any rate they lead you to infer by these very questions that they are maintaining your rates?

Mr. KELLOGG. I do not understand the question.

Mr. HARDY. At any rate they lead you to infer by these very questions that they are maintaining your rates?

Mr. KELLOGG. That is right; yes.

Mr. HARDY. And your reply lets them know whether you are standing straight or not?

Mr. KELLOGG. That is right; yes, sir.

Mr. POST. It really amounts to an agreement, does it not?

Mr. KELLOGG. There has no agreement ever been entered into.

Mr. POST. You mean a written agreement?

Mr. KELLOGG. No oral agreement has been entered into. It seems to me it is an evolution of the times, not only in the steamship business, but everywhere else.

Mr. POST. Just naturally settling down into the same gait?

Mr. KELLOGG. Yes.

The CHAIRMAN. The Munson Line sends the tariff from New York to Matanzas, Cardenas, Isabella, De Sagua, Caibairén, Nuevitas, and Gibara. Now, these ports, it seems, are not entered or referred to by

any other line operating from New York to Cuba—not referred to in any other tariffs or any other line operated from New York to Cuba. At the same time, the Munson rates to these several ports seem to be the very highest as compared with the other tariffs furnished. You may tell the committee whether or not your company has an agreement or understanding of any other character, whether expressed or implied, in writing or not, with any of the other lines operating from New York to Cuba, as regards either the freight or passenger traffic to and from the United States to the ports I have mentioned.

Mr. KELLOGG. I can answer only as to the outbound freight.

The CHAIRMAN. What do you say about the inbound freight?

Mr. KELLOGG. The inbound freight is handled, largely on a tramp basis, by another department.

The CHAIRMAN. And you can not say whether that is true or not?

Mr. KELLOGG. I can say from my general knowledge that it is not true.

The CHAIRMAN. But you do say, emphatically, that on the outgoing freight from New York to Cuba there is no such understanding or agreement?

Mr. KELLOGG. I do.

The CHAIRMAN. Neither as relates to the division of traffic nor territory nor division of routes?

Mr. KELLOGG. There is no agreement; no.

The CHAIRMAN. Nor as to the discontinuance of service from New York to Porto Rico, the ports named in Cuba, by either your line or the other lines operating from New York to Cuba?

Mr. KELLOGG. No, sir; there is no agreement.

The CHAIRMAN. Nor as meeting the competition of other lines?

Mr. KELLOGG. No, sir.

The CHAIRMAN. Nor stipulating the time and number of sailings between New York and Cuba?

Mr. KELLOGG. No, sir.

The CHAIRMAN. Nor as fixing the freight rates or passenger fares or the maintenance of tonnage of the freight?

Mr. KELLOGG. No, sir.

The CHAIRMAN. Have you any contracts with shippers?

Mr. KELLOGG. We have. I have a couple of contracts here, which I will be glad to give to the committee. I would prefer that they would not go into the records, if it so pleased you.

The CHAIRMAN. Just let them be marked for identification as exhibits.

The four documents here submitted by the witness were here marked by the stenographer, "Exhibits 71, Kellogg."

The CHAIRMAN. Are there expressed in those contracts submitted, or have you any contracts with shippers, either to or from Cuba and from ports in the United States, granting deferred rebates or other privileges or other advantages?

Mr. KELLOGG. We have not.

The CHAIRMAN. Do you discriminate against shippers—that is, give one more favorable rate than another?

Mr. KELLOGG. We have made every endeavor in our business to keep all lines of trade on an equal basis.

The CHAIRMAN. How have you succeeded?

Mr. KELLOGG. Very well.

The CHAIRMAN. Have you any exceptions to the rule?

Mr. KELLOGG. None except that might be affected by a contract. A man who makes a contract with us for a year might, in some cases, be paying more freight if competitive conditions had forced our rates down at different times.

The CHAIRMAN. Is that the fact that he does that?

Mr. KELLOGG. He has done it in several cases; yes.

The CHAIRMAN. Are there any such contracts existing now?

Mr. KELLOGG. There is one contract, which I have handed in here, entered into with a firm in New York, who exports to their own plantation and use their own goods—use their own materials on their own plantations. There is one other contract, which is made with a railroad in Cuba, who buy all their own supplies and utilize them on their railroads.

Mr. WILSON. Would there not also be different rates on some of those different contracts, where one would have a rate less than the others on the same ship?

Mr. KELLOGG. It might be so; yes.

Mr. WILSON. Has it actually been so?

Mr. KELLOGG. Yes; it has been so. It would naturally work both ways.

Mr. WILSON. Is not that generally the case that those who make contracts with you have a less rate than the others?

Mr. KELLOGG. They naturally expect to get some benefit out of it, either in service or in rates.

The CHAIRMAN. What proportion of your northbound freight is contract freight?

Mr. KELLOGG. I can not answer for the northbound freight, excepting that one commodity—that is, sugar; practically, that is the basis of the northbound cargo.

The CHAIRMAN. And constitutes the larger part of it?

Mr. KELLOGG. Constitutes the larger part of it; yes, sir.

The CHAIRMAN. What proportion of your freight to Cuba is contract freight?

Mr. KELLOGG. Practically nothing.

The CHAIRMAN. I believe you say you are also agent for the Boston & Havana Steamship Co.?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. You may state whether or not that company has any agreement or agreements or any understanding or understandings with any other steamship line or lines as regards either freight or passenger traffic to or from the United States to Habana, or to or from any port in Cuba.

Mr. KELLOGG. It is only a freight line and has no agreements with any other to keep our rates as close to the New York rates as possible.

The CHAIRMAN. What other lines operate between Boston and Cuban ports?

Mr. KELLOGG. None.

The CHAIRMAN. None?

Mr. KELLOGG. No other line.

The CHAIRMAN. Is that by agreement with any other company that you should have the exclusive trade from Boston to ports in Cuba?

Mr. KELLOGG. No, sir.

The CHAIRMAN. You know that to be true, do you?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. Either as to the division of traffic or any other matter?

Mr. KELLOGG. None whatever.

The CHAIRMAN. You said you tried to keep your rates the same. What basis were you referring to, the New York rates?

Mr. KELLOGG. The New York rates.

The CHAIRMAN. That is, the New York rates are not uniform from New York, are they?

Mr. KELLOGG. Well, not exactly uniform, no; they will vary some. We try to keep pace——

The CHAIRMAN (interposing). They are uniform so far as Habana is concerned, but I believe the ports you speak of that your line enters in Cuba, with the exception of the Royal Mail, are not entered by any other line except occasionally some ship may call?

Mr. KELLOGG. Yes.

The CHAIRMAN. The Boston & Havana Co. operates between Boston and Habana, does it not?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. Your company does not operate to Habana at all, does it?

Mr. KELLOGG. Not from New York; no.

The CHAIRMAN. That is what I understood. Do you mean to say that the rates from Boston to Habana are the same as from New York to those other points in Cuba, or to the points in Cuba to which your ships run?

Mr. KELLOGG. No; we base our rates on what we might find to be the rates from New York to Habana.

The CHAIRMAN. That is the Cuba Line?

Mr. KELLOGG. The New York & Cuba Mail Steamship Co.; yes. May I make a statement about the remark you made about our rates being higher to the ports on the north coast of Cuba?

The CHAIRMAN. Yes.

Mr. KELLOGG. We operate service from New York to four ports—Matanzas, Sagua, Caibarien, and Cardenas—in order to get a cargo. It takes those ships four weeks to make that trip, where a steamer going to one port can make the trip in two weeks. Furthermore, not any of those ships go to the dock; every one of them pays lighterage and at some of the ports we pay the charges of delivering the cargo on cars at the city; for instance at Sagua, we lighter first, discharging the lighters into cars, and pay the railroad on the freight up to Sagua; so this would make the rates seem higher than they really are, as far as the steamship companies are concerned.

The CHAIRMAN. Local rates are added to the water rate, are they not?

Mr. KELLOGG. We are responsible for the delivery of cargo according to the custom of the port we enter, which includes the lighterage and other charges.

The CHAIRMAN. Have you any other line in that service? You have a Baltimore and Habana line, have you not?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. Operated by what company?

Mr. KELLOGG. That is the Munson Steamship Line.

The CHAIRMAN. What other companies operate from Baltimore to Habana?

Mr. KELLOGG. None.

The CHAIRMAN. What do you carry South, general cargo?

Mr. KELLOGG. General cargo.

The CHAIRMAN. And what on the return voyage?

Mr. KELLOGG. The steamers go into the tramp trade northbound.

The CHAIRMAN. Are you in agreement with any other company, or have you any understanding with any other company or line as regards either the freight or the passenger traffic to or from the United States to Habana, from Baltimore, or to Baltimore?

Mr. KELLOGG. Nothing; we give them any information they want about our rates.

The CHAIRMAN. What?

Mr. KELLOGG. We would give them any information they wanted about our rates.

The CHAIRMAN. Give who?

Mr. KELLOGG. The Ward Line; we would give the Ward Line any information they wanted about our rates.

The CHAIRMAN. Do they operate from Baltimore to Habana?

Mr. KELLOGG. They do not; they operate from New York.

The CHAIRMAN. Do you make the rate uniform from Baltimore and New York?

Mr. KELLOGG. We attempt to make New York rates from Baltimore.

The CHAIRMAN. In other words, the rate is the same from New York as it is from Baltimore on the same commodities, is it?

Mr. KELLOGG. Yes; but, generally speaking, the shipper at Baltimore has an advantage in the inland rate of about 3 cents a hundred pounds on manufactured articles and about 1½ cents on iron and steel.

The CHAIRMAN. Over the Baltimore rate?

Mr. KELLOGG. Yes.

The CHAIRMAN. Although Baltimore is nearer to the steel plant than New York?

Mr. KELLOGG. That is what I mean.

The CHAIRMAN. In other words New York has that advantage over Baltimore?

Mr. KELLOGG. No; Baltimore has that advantage over New York.

The CHAIRMAN. On the rail rate?

Mr. KELLOGG. On the rail rate.

The CHAIRMAN. Does that differentiate in favor of Baltimore?

Mr. KELLOGG. Yes.

The CHAIRMAN. Yet the rate between the two cities is the same?

Mr. KELLOGG. Practically the same; yes, sir.

Mr. HARDY. You do not prorate with the railroad, do you?

Mr. KELLOGG. No; we do not; we can not under the interstate commerce act.

The CHAIRMAN. Is there any tacit understanding that the Baltimore service shall be handed over to the Mobile Line; that they shall have that service?

Mr. KELLOGG. The Muson Line owns both the Mobile Line and the Baltimore Line.

The CHAIRMAN. Is there any understanding between your line and the Ward Line?

Mr. KELLOGG. No, sir; no understanding.

The CHAIRMAN. With reference to either the rates out of New York, or the rates out of Baltimore to Cuba, or that your company will operate directly from New York; that is, the Ward Line shall not operate from Baltimore to Habana or other ports in Cuba?

Mr. KELLOGG. No such understanding. We would answer their questions about rates, and would expect them to answer ours.

The CHAIRMAN. But there is no understanding, however, direct or indirect in reference to making the rates?

Mr. KELLOGG. No, sir.

The CHAIRMAN. You are not acting in accord, are you?

Mr. KELLOGG. No, sir; we would reserve the right at any time to take any block of cargo we wanted at any rate we saw fit, even without notifying, if we thought the business warranted.

The CHAIRMAN. And there is no amicable arrangement between you that will avoid competition between the two lines, is there?

Mr. KELLOGG. Not of necessity; there is simply the arrangement as a matter of business policy of talking over with one another what the rates might be.

The CHAIRMAN. Well, you agree you will not fight, do you not?

Mr. KELLOGG. We do not even agree to that.

The CHAIRMAN. You say to each other "We will be good friends, and the only way to be good friends is for both to operate on the same basis." Is not that it?

Mr. KELLOGG. We have not tried out yet whether we can operate on the same basis with a semiweekly service—I should say a semi-monthly service—compared with their biweekly service.

Mr. HARDY. You are very pleasantly associated together, are you not; you talk in a friendly manner over the traffic arrangements?

Mr. KELLOGG. The traffic manager of the Ward Line has been my friend long before he went in as traffic manager with the Ward Line.

Mr. HARDY. Of course, any question of interest of the lines does not make any difference with old friends?

Mr. KELLOGG. You naturally come in closer contact with a man you know than with one you do not know.

Mr. HARDY. As a matter of fact you talk together and compare notes and sort of understand the whole thing; the whole thing goes satisfactorily, does it not?

Mr. KELLOGG. We have no regular meetings of any kind.

Mr. HARDY. You do not have to have regular meetings, but it is pretty frequently is it not?

The CHAIRMAN. Whenever the occasion requires, you keep harmony in the family?

Mr. HARDY. In other words, you avoid even the appearance of evil, do you not?

Mr. KELLOGG. We are all endeavoring, as far as I can find, to make our lines go; to make them pay their way.

Mr. WILSON. Are any of the directors of the Munson Co. also directors of other steamship lines?

Mr. KELLOGG. They are not.

Mr. WILSON. Are any of the large stockholders of the Munson Co. large stockholders of any of the other steamship lines?

Mr. KELLOGG. No, sir.

Mr. HARDY. You said you employed tramp ships in and out of New York?

Mr. KELLOGG. Yes.

Mr. HARDY. There are quite a good many of them, are there not?

Mr. KELLOGG. We are operating to-day somewhere about 100 steamers.

Mr. HARDY. Of tramp character?

Mr. KELLOGG. Of tramp character, excepting those of which we are agents.

Mr. HARDY. These tramp ships are mighty good fighting instruments, are they not?

Mr. KELLOGG. Yes; they are pretty good on some occasions. They have to be in the last two years.

Mr. HARDY. If you have a sort of troublesome neighbor a tramp ship can go in without regard to your scheduled rates?

Mr. KELLOGG. They can in some trades; yes.

Mr. HARDY. These tramp ships, as I understand it—and I think I nearly understand it—simply mean a ship that goes anywhere it pleases, has no regular line?

Mr. KELLOGG. That is right; anywhere the contract calls.

Mr. HARDY. You send it to South America to-day or to Liverpool to-morrow, just wherever you get a cargo you want to provide for you will send that ship there?

Mr. KELLOGG. That is correct.

Mr. HARDY. These tramp ships, whenever you find somebody that is breaking into a custom, not walking pleasantly together, you can use them without much regard to your schedule rates, can you not?

Mr. KELLOGG. No; we can not.

Mr. HARDY. In order to take a cargo away from the fellow that is dipping in, is not the tramp ship the instrument you use in that case?

Mr. KELLOGG. We could not do that, because we would be competing with ourselves.

Mr. HARDY. I know, but a little competition with yourself does not hurt much, it only takes out of one pocket and puts it into the other, does it not?

Mr. KELLOGG. The situation when we have to compete with a steamer we already have on——

Mr. HARDY (interposing). As a matter of fact, do you not use these tramp ships for competing purposes, largely?

Mr. KELLOGG. We do not. The tramp ships are used entirely in full cargo business.

Mr. HARDY. Do you mean in bulk cargo lots?

Mr. KELLOGG. Bulk cargoes; full cargoes of coal, rails, or cars, anything of that sort.

Mr. HARDY. Simply as a matter of information, I understand your southbound ships frequently have no cargo northbound, and you make tramps of them for the time being?

Mr. KELLOGG. We make tramps of them not because we do not have a cargo northbound, but because the cargo northbound is practically a one-commodity proposition, and they will turn into the trade to contract for a full cargo of sugar, at whatever rates may be in effect at the time, according to market conditions.

Mr. HARDY. The ship that is on a regular line and is not a tramp ship going out becomes a tramp ship coming back?

Mr. KELLOGG. Yes; in other words, our Baltimore ship going to Habana might load one time at Habana sugar for New York and another time sugar for Boston and another time sugar for Philadelphia, and might go even to the north side of Cuba and load a cargo for any of the ports mentioned.

Mr. HARDY. The old idea, the idea I used to have of a tramp ship, was that it was a sort of masterless vessel wandering over the seas and found a little business here and there belonging to the individual running it and was a free lance. That is not the case as to the tramp ship as you define it, is it?

Mr. KELLOGG. That is where the term originated, but it has come down to the basis of being used more in contract business than anything else.

Mr. HARDY. What is now called by the trade the tramp ship is generally the property or under the control of the strong lines?

Mr. KELLOGG. Not necessarily.

Mr. HARDY. But the large majority of the so-called tramp ships are really in the control of the strong lines, are they not?

Mr. KELLOGG. No; I do not think we can say that.

Mr. HARDY. You said you had about 100 of them?

Mr. KELLOGG. We have about 100 of them, but 100 ships is a pretty small thing in the tramp trade.

Mr. HARDY. Yes; but you do not represent all of the business by a good deal. Other lines have the same characteristics, have they not?

Mr. KELLOGG. That is right, but do you realize that any one tramp ship can come to Cuba, and we have 10 ships offering for business to make the rate for those 10 ships?

Mr. HARDY. That is what I understand. Unless you have one tramp ship there, the first-class schedule ships maintain their rates, and if you had this one tramp ship coming in there you could keep that independent tramp from cutting the rate?

Mr. KELLOGG. We are identically on the same basis with them; operating northbound the same as they are.

Mr. HARDY. Did you read Mr. Story's testimony?

Mr. KELLOGG. I did; yes, sir.

Mr. HARDY. And you saw what he said here about the Munson ship going out of Mobile?

Mr. KELLOGG. In connection with the Munson ship going out of Mobile in competition with his line, as a competing ship?

Mr. HARDY. Yes.

Mr. KELLOGG. That is absolutely untrue.

Mr. HARDY. You did not schedule that ship, as I understand it, at all?

Mr. KELLOGG. We are an American concern and have no interest in those foreign-owned lines whatever. We are building up our own business and control American trade, but we are obliged to use foreign tools to do it, because we have to compete with the foreign ships.

Mr. HARDY. And if you have to pay twice as much for your ships, you can not compete with the fellow who pays only half your price?

Mr. KELLOGG. We could not.

Mr. WILSON. How is the market rate in shipping in tramp ships established? How do you arrive at it?

Mr. KELLOGG. By the number of the steamers offering for the business.

Mr. WILSON. How would the number of steamers offering for the business affect the market rate for transportation?

Mr. KELLOGG. Well, in the first place, they affect the time-charter rate, which brings down the cost of the steamer to our time-chartered steamers, and that naturally carries the rate of freight that shall be charged on that steamer.

Mr. WILSON. Would not the rate of freight be established in accordance with what some one else was offering?

Mr. KELLOGG. Certainly.

Mr. WILSON. Then, would not the tramp steamer, if it was a free lance, offering a lower rate than the rate you secure, affect the regular services to?

Mr. KELLOGG. It would unless they closed the cargo and it would go out of the market.

The CHAIRMAN. You would just wait until they got loaded out, would you not?

Mr. KELLOGG. That would depend. We might have to keep waiting. They might keep coming in all the time, one after the other.

The CHAIRMAN. I meant just the one ship. That would be a very unusual proposition to deal with which you suggest?

Mr. KELLOGG. That would hardly be the basis to figure on, because that would not be confined to one ship. There are other time charterers and there are other owners, and an owner will sometimes bring in a ship with sugar from Cuba, and sometimes a ship of the South American Line will come in from Cuba.

Mr. WILSON. As a matter of fact, could not the corporation that had 10 charters available put the individual tramp ship out of business by simply lowering the rates for cargo, having 9 other vessels available with which to handle the business?

Mr. KELLOGG. It could not.

Mr. WILSON. Would not they have 10 times the opportunity for cutting that the one tramp ship would have?

Mr. KELLOGG. They would have 10 times the opportunity of losing the money also.

Mr. WILSON. They would have ten times as much to use, and therefore they would have ten times as much to lose as the one tramp.

Mr. KELLOGG. And we would have to charge a pretty good percentage against the capitalization.

Mr. HARDY. I think the clearer way to ask the question would be—These 10 ships would divide the loss by 10, whereas 1 ship would have to bear it all, if your 10 ships all belonged to the same company.

Mr. KELLOGG. No; if the 10 ships—in other words, if the 10 ships tried to fight the 1, the 10 ships would all have to take the low rate of the 1. If the 1 wanted the cargo bad enough, she would take it at anything better than ballast freight.

The CHAIRMAN. You would not send 10 ships into one port to compete with the one ship; you would just send the one fighting ship in there to compete with the one tramp, would you not, and put the rate down so that the tramp ship would be compelled to take the cargo at a loss. That would be the practical way of working that proposition, would it not?

Mr. KELLOGG. No, sir; that is not correct, because a cargo of sugar may be taken by the ship that is in any port in Cuba—that is, in any port in Porto Rico—that is, any port in any of the West Indies or the Gulf of Mexico.

The CHAIRMAN. Is not the policy of all the regular lines to charter and control as many of these so-called tramp ships as they can and operate them in any trade, anywhere, just so they can get them out of the way, and the loss is not too great to prevent competition?

Mr. KELLOGG. No, sir. We charter ships to carry the business which we control by making satisfactory rates to control it.

The CHAIRMAN. But you do not charter them to prevent competition; you only charter when you can operate them at a profit?

Mr. KELLOGG. That is the way we figure it.

The CHAIRMAN. You never use them just to get rid of them? Did I understand you to say that?

Mr. KELLOGG. We do not use them how?

The CHAIRMAN. To get rid of them.

Mr. KELLOGG. To get rid of the ships?

The CHAIRMAN. The competition.

Mr. KELLOGG. No, sir; we could not afford it.

The CHAIRMAN. If a tramp line at some port out in Cuba dropped in occasionally, the effect is to cut your rate. As a general proposition, do you not charter that ship and send it off somewhere else rather than have it annoy you in that way and compel you to cut your rate?

Mr. KELLOGG. We would charter the ship simply if we could use it and use it at a satisfactory price.

The CHAIRMAN. You could afford to do this if you did not make a penny on it, just to pay the operating expenses?

Mr. KELLOGG. Your question would imply that we were able to control the entire market that way, and it is absolutely impossible. The market varies from time to time according to the number of ships, and there is no one that is large enough to control that market.

The CHAIRMAN. Do you regard the tramp ship as a potent factor in regulating the rate in the ocean-carrying business?

Mr. KELLOGG. I think that the tramp ships carry the bulk of the cargoes of the world.

The CHAIRMAN. That is not the package freight?

Mr. KELLOGG. No; I mean the large bulk shipments.

The CHAIRMAN. Like wheat and coal? You do not mean to say that operating independently of the regular lines they carry the bulk of the cargoes of the world?

Mr. KELLOGG. Well, that depends upon what you call regular lines. There are regular lines that call themselves as such that operate tramp services.

The CHAIRMAN. You are operating a tramp service yourself?

Mr. KELLOGG. Yes; we operate a tramp service.

The CHAIRMAN. But, then, you are a regular line?

Mr. KELLOGG. Yes.

The CHAIRMAN. And charter ships?

Mr. KELLOGG. That is right.

The CHAIRMAN. And operate them as tramps in the irregular service? That is the sense in which you use the term, is it not?

Mr. KELLOGG. That is right.

The CHAIRMAN. And outside of those ships that are controlled by the regular lines, like yours in the irregular service, do you say the tramp ships control or carry the greater tonnage?

Mr. KELLOGG. I believe they do. The owners of ships work a great deal with brokers here or charter cargo and load cargoes themselves for Europe.

Mr. WILSON. What proportion of cargoes are carried in tramp ships of that character from and to the United States?

Mr. KELLOGG. Why, it is so much that I am not acquainted with it.

Mr. WILSON. A tramp ship that is not owned or controlled by some regular steamship line, you have reference to; they carry the bulk of the cargoes to and from the United States?

Mr. KELLOGG. That would be hard for me to say, because it covers such a wide territory that it would be impossible to say without looking it up.

Mr. WILSON. Your judgment is, however, that they do?

Mr. KELLOGG. My judgment is that the tramp ships that are operated in the regular lines—the tramp steamers that operate with the regular lines—are the ones that carry the bulk of the cargo.

Mr. WILSON. What proportion of the tramp steamers, or what percentage of the cargoes to and from the United States, are carried by tramp steamers not owned by regular lines?

Mr. KELLOGG. It would be impossible for me to tell.

The CHAIRMAN. Are any of these lines with which you are connected owned or controlled by railroads?

Mr. KELLOGG. No, sir.

The CHAIRMAN. This line out of Mobile—is your line the only line out of Mobile to Cuba?

Mr. KELLOGG. To Cuba, yes, sir.

The CHAIRMAN. How are the rates from Mobile to Cuba, as compared with the rates from New York?

Mr. KELLOGG. The rates from New York are about the same as from Mobile to Cuba.

The CHAIRMAN. What is the difference in distance?

Mr. KELLOGG. Practically 400 miles.

The CHAIRMAN. In favor of Mobile?

Mr. KELLOGG. In favor of Mobile.

The CHAIRMAN. Can you explain how that is that Mobile does not have a differential?

Mr. KELLOGG. It would be impossible for them to have a differential, because the lines of the Atlantic coast would meet the rates. We possibly make the rates on grain products and packing-house products, because of being nearer the territory that produces them, and the New York lines would be likely to follow those rates in order to develop what business they could from their territory. I might state that that line is a member of the Gulf Foreign Freight Committee, and the one tariff is published from Mobile, New Orleans, and Galveston to Habana and Cuban outports.

The CHAIRMAN. The Mobile, New Orleans, Galveston, and Gulf Foreign Freight Committee?

Mr. KELLOGG. The Gulf Foreign Freight Committee.

The CHAIRMAN. And that committee, in conference, fixes rates out of those different ports to foreign ports?

Mr. KELLOGG. Yes; at the conference they name, independently, the rates that are going into that tariff.

The CHAIRMAN. What do you mean? When they get together how do they name them independently?

Mr. KELLOGG. Those rates are made absolutely as the railroad rates are made in this country.

The CHAIRMAN. Well, how is that?

Mr. KELLOGG. Well, the Gulf Foreign Freight Committee is a railroad committee. We originally made rates with the railroads from the Gulf to Cuba on a pro rata basis. We did it and filed our tariffs with the Interstate Commerce Commission for a time—under the law being forced to do so—until the Supreme Court rendered the decision that Cuba was not an adjacent country and did not come under the act. We were obliged then to make an independent rate from the Gulf to Cuba, and the rates were made by the same committee as made the rates previously.

The CHAIRMAN. So the upshot of it is, then, that the railroads make your rates from Galveston, New Orleans, Mobile, and New York to Cuban ports?

Mr. KELLOGG. No; the railroads have nothing to do with those rates. They are made by the steamship lines represented in the conference. They are only published by this Gulf Foreign Freight Committee as a committee.

The CHAIRMAN. Does that committee have any relations with the railroads?

Mr. KELLOGG. Only as a matter of interest in developing Gulf business; that is all. The railroads have no influence whatever over our rates.

The CHAIRMAN. You do not see any anomaly in the difference in rates between New York and Mobile to Cuba?

Mr. KELLOGG. I do not understand your question.

The CHAIRMAN. You do not see any anomaly, I say, in the fact that the rates from Mobile and New York to Cuba are the same, although the difference in distance is about 400 miles?

Mr. KELLOGG. Well, sir, we have not the variety of cargo from the Gulf and the combination of cargo to make as good a showing as they have from New York. We can not get the high-class dead-weight freight to couple up with the measurement freight which we have from the Gulf.

The CHAIRMAN. Are there not several southern ports so adjusted that the shipper from those ports can not have any advantage over the rates from New York or Boston?

Mr. KELLOGG. Take a given point like Chicago. It would be a question of whether or not the lines from the Atlantic coast want to give us the combination of rates which could be made through the Gulf.

The CHAIRMAN. It does not cost any more to send packing-house products by way of New Orleans to Cuba, for instance, than it does via New York? It ought not to.

Mr. KELLOGG. It does not.

The CHAIRMAN. The rate from Chicago to New Orleans by rail; is that different from the rate from Chicago to New York by rail?

Mr. KELLOGG. I believe the rate from Chicago to New York is 30 cents a hundred on packing-house products, and from Chicago to Mobile there is an export rate of 24 cents.

The CHAIRMAN. And yet, notwithstanding that difference of 6 cents a hundred, the ocean rate from Mobile to Cuba is the same as from New York?

Mr. KELLOGG. Yes, sir; that is the same as the local rate from New York.

Mr. WILSON. Is the combined rate from Chicago to Cuba by way of Mobile 6 cents less than the combined rate from Chicago to Cuba by way of New York?

Mr. KELLOGG. I understand that the New York line will absorb the difference in the rate in order to gain business when they are short of cargo.

Mr. WILSON. When they have through cargoes they do not carry it for that much less?

Mr. KELLOGG. Whether they do that as a regular thing or not I do not know. The amount is actually by the shorter route through the Gulf.

The CHAIRMAN. The railroad does not cut the rate from Chicago to New York in order to meet that possible competition at Mobile?

Mr. KELLOGG. I can only answer that as a matter of information. I should say decidedly no.

The CHAIRMAN. You do not know of any contracts to that effect?

Mr. KELLOGG. I think it is absolutely out of the question for a railroad company to make any contract to-day with any steamship company that would violate any interstate commerce act.

The CHAIRMAN. Then you have no understanding or agreement with any railroad by which you do prorate?

Mr. KELLOGG. None whatever. We changed that contract to comply with the law. That is, the railroad changed it.

The CHAIRMAN. So you get no part of the rate from Chicago to New York for transporting the goods from New York to Cuban ports?

Mr. KELLOGG. None whatever, or from the Gulf.

The CHAIRMAN. In other words, there is no rebate to you, nor from you to the railroad company?

Mr. KELLOGG. No, sir.

The CHAIRMAN. You accept the freight in New York, transport it to Cuba, and receive no other rate than that which is charged by the company—that is, to the shipper alone? You do not get any differentials from the railroad company?

Mr. KELLOGG. Absolutely none.

The CHAIRMAN. And that is true from Mobile?

Mr. KELLOGG. Yes, sir.

The CHAIRMAN. And yet this Gulf conference, you say, meets and they arrange the tariff independently from those several ports to foreign ports. What does that conference do when it meets? What are the subjects it considers, and what matters do they determine?

Mr. KELLOGG. Of course, I do not attend any more the railroad conference. There is no object in my being there. At the time we prorated rates there was an object in my being there.

The CHAIRMAN. When did you cease prorating rates?

Mr. KELLOGG. At the time it was stated by the Interstate Commerce Commission and a date set by them when these through rates should be pulled out and independent rates established.

The CHAIRMAN. But the conference still goes on. Now, do they exercise the same power as they did before? If not, what is the limitation, what is the scope of their work now as compared with what it was formerly?

Mr. KELLOGG. As far as the railroad rates are concerned, simply covering the export rates for the railroads; as far as the steamship company end of it is concerned, covering the steamship rates from Gulf ports to Cuba.

The CHAIRMAN. Take it from Mobile to Cuba. Are the rates fixed in New York, or are they fixed in Mobile, and do you confer about the rate in Mobile? You do not quote from New York to make up the differential in the rate from Chicago; you simply add to the rate from Mobile?

Mr. KELLOGG. No; the situation is that the Gulf ports will make the best rates. If the New York lines want that business they naturally have to absorb the difference in the rate to get it.

The CHAIRMAN. But where you control the trade from New York and Mobile both, you do not want the committee to understand you would cut the New York rate; you would increase the rate from Mobile, wouldn't you? You could do it both ways?

Mr. KELLOGG. Yes. Well, the tendency would be, as far as we are concerned, to allow to go through the Gulf any business that belonged to the Gulf. It is only our competitors that would be willing to cut the New York rate.

The CHAIRMAN. But if they had the difference of 6 cents a hundred there is no question but what the traffic would go through Mobile?

Mr. KELLOGG. If they had the difference in their favor?

The CHAIRMAN. Yes.

Mr. KELLOGG. If Mobile had the difference in their favor? Certainly.

The CHAIRMAN. You say the difference on packing-house products is about 6 cents in favor of Mobile?

Mr. KELLOGG. Out of Chicago.

The CHAIRMAN. Yes; out of Chicago. If you would simply add the rate proportional to the distance and the actual service out of Mobile to Cuba, why, then, the packing-house products for Cuba would go through Mobile?

Mr. KELLOGG. They do go through Mobile principally.

The CHAIRMAN. So they do not go through New York?

Mr. KELLOGG. Not in any great quantities; they do in some cases. It is all a matter of convenience to the shipper. The shipper can choose his own rate.

The CHAIRMAN. He is influenced by what it costs, isn't he?

Mr. KELLOGG. As I say, it is my understanding the New York lines would absorb that and give the shipper the same opportunities for rating through New York as he has through the Gulf.

Mr. WILSON. As I understand it, this Gulf conference meets and determines the railroad rates from the interior to Mobile?

Mr. KELLOGG. To all Gulf ports.

Mr. WILSON. To all Gulf ports, and at the same time determines the rates from Gulf ports to Cuba or foreign ports?

Mr. KELLOGG. Not at the same time; they do not have a general meeting at all.

Mr. WILSON. In connection with it, at least?

Mr. KELLOGG. No; not in connection with it. We, being originally members of the same conference, continued under the same conference as far as membership was concerned, but if we want to talk about a rate to Cuba we talk about it among steamship lines only.

The CHAIRMAN. And those lines fix the rate from all the Gulf ports and Atlantic ports to Cuba?

Mr. KELLOGG. Each line is independent; they can name any rate they want. Naturally, the man that fixes the rate fixes the lowest rate every time. A notice is sent to the chairman, and when we see the notice we meet that rate. We can not do otherwise.

Mr. WILSON. When the conference has established rates from the interior to these ports, doesn't it have the effect of establishing a through rate to Cuba?

Mr. KELLOGG. The combination of the rates would make the through rate.

Mr. WILSON. Now, having established a through rate from the interior by virtue of this conference, or conferences, as the case may be, is there a different rate established for cargoes originating at the port and not coming from the interior?

Mr. KELLOGG. There is not.

Mr. WILSON. The same rate is given to cargoes originating in the port that is given to cargoes coming from the interior?

Mr. KELLOGG. The tariff is published and is maintained. Supplements to it are issued from time to time.

Mr. WILSON. You do not pursue the policy that some concerns pursue of cutting your own tariff rates?

Mr. KELLOGG. No; not without notifying the chairman of this conference that we are going to make a certain rate.

Mr. WILSON. Is that true out of New York also?

Mr. KELLOGG. No; that is not true out of New York.

Mr. WILSON. Do you cut the rates in New York?

Mr. KELLOGG. In New York our rates are made according to competitive conditions from time to time.

Mr. WILSON. You have no conference governing your rates in New York?

Mr. KELLOGG. No conference whatever.

Mr. WILSON. In what manner is the market established out of New York?

Mr. KELLOGG. By the competitive conditions at the time.

Mr. WILSON. What are the competitive conditions as to regulations?

Mr. KELLOGG. There might be many of them; it would depend on the class of cargo. For instance, with large shipments of rails or anything of that sort it might be a tramp steamer. In some cases it is competition by lines that stop at the ports irregularly.

The CHAIRMAN. This Gulf freight conference meets and determines the rate from Galveston to Cuba, New Orleans to Cuba, Mobile to Cuba, and Atlantic ports to Cuba, does it not?

Mr. KELLOGG. Not Atlantic ports to Cuba. Atlantic ports would follow in the rates.

The CHAIRMAN. Gulf ports to Cuba?

Mr. KELLOGG. Gulf ports to Cuba.

The CHAIRMAN. They fix the rates from Gulf ports to Cuba, and the purpose of that is that the inland traffic would not be concentrated at any one or more of those ports. If it was it would prejudice your line out of Mobile, for instance; it would prejudice the line operating to Cuban ports out of New Orleans; it would prejudice the line operating out of Galveston. You are all in agreement in determining those rates so that this traffic shall be distributed between them equitably, as you regard it.

Mr. KELLOGG. We are absolutely independent in the rate situation. We can declare an independent rate at any time.

The CHAIRMAN. Then, what in the world is the use of this conference? Explain to us some utility that it has.

Mr. KELLOGG. Suppose we were quoting a rate on packing-house products from Mobile to Cuba of 20 cents indiscriminately, and the shippers use a hammer over another line and say, "I am getting a rate of 18 cents, when they are only getting 20 cents, perhaps." They lead the other steamship company astray. It is bad for shippers; it is bad for steamship companies. Every shipper will tell you to-day that he would prefer to have a uniform rate that he knows is uniform than to not know what the rate is on account of indiscriminate cutting of rates in all directions.

The CHAIRMAN. We have had that often stated before the committee, but I would like for you to state in a few words what the purpose of this conference is. I think I understand why it can be made very useful to these lines, but in view of what you have said I confess I think it is a useless affair.

Mr. KELLOGG. It is a question of talking over what would be a legitimate and fair rate for the business.

The CHAIRMAN. From those different ports?

Mr. KELLOGG. From those different ports.

The CHAIRMAN. So that, for instance, the shipper at New Orleans could not quote a rate which would bring in competition and concentrate the traffic there and favor the line from New Orleans to Cuban ports and leave your line out?

Mr. KELLOGG. That is right; you could not favor one port to the detriment of the other port.

The CHAIRMAN. That is what I have been trying to get at for the last 20 minutes.

Then, as I understand, this Gulf traffic conference fixes rates from those several points to foreign ports?

Mr. KELLOGG. Not necessarily. That line fixes the rate independently.

The CHAIRMAN. Oh, you have repeated that; but you agree that, for instance, the rates from Galveston shall be, just for the purpose of illustration, 18 cents on packing-house products; from New Orleans it shall be 20 cents, and from Galveston it shall be 25 cents, do you not?

Mr. KELLOGG. No, sir; if in talking over the matter I might declare that my company would put in a rate of 25 cents, and somebody else would declare that his company would put in at the rate of 22 cents.

Now, I would have to use my own judgment as to whether I found it necessary to instruct the chairman of the committee how to publish for me a 22-cent rate or stand by my 25-cent rate.

The CHAIRMAN. What would you want with a committee in that event, anyhow. Why not just go ahead and publish your rates?

Mr. KELLOGG. It might be just as well to publish rates.

The CHAIRMAN. Why not tell him, "Here, I am going to make a rate of 18 cents from Mobile," and he would say, "All right. I will make a rate of 18 cents from New Orleans," and then the Galveston man would say, "All right, I will make a rate of 18 cents from Galveston." Now, there would be trouble right off, would there not, and friction, and quarreling?

Mr. KELLOGG. I do not see why there would. We would have to be guided by the 18-cent rate, which was named by one of the other lines, to handle the business.

The CHAIRMAN. You do not have the same rate on any commodity from any one of these three ports?

Mr. KELLOGG. The rates and the tariff are the same. There may be some variations.

The CHAIRMAN. Between these three ports?

Mr. KELLOGG. There may be some variations; there may be some difference in one line, who do not want to carry the business at certain rates.

The CHAIRMAN. Do you not leave it up to the tariff where it is published?

Mr. KELLOGG. Yes; we do.

The CHAIRMAN. When you do depart from those rates it must be by agreement?

Mr. KELLOGG. Not necessarily. We can depart from the rates and simply send a notification that we wanted certain rates published.

The CHAIRMAN. Is there much of that done?

Mr. KELLOGG. There is quite considerable of it done.

The CHAIRMAN. By your company?

Mr. KELLOGG. I named recently a rate on hay—very recently—which I notified the chairman, and the chairman notified the other parties, and they naturally put in the same rate.

The CHAIRMAN. That was a part of the working arrangement? [No response.]

Mr. HARDY. Was that a higher or a lower rate?

Mr. KELLOGG. Thirty cents a hundred.

Mr. HARDY. Was that higher than the existing rate?

Mr. KELLOGG. That was higher than the existing rate.

Mr. HARDY. You made a rate, and they followed it?

Mr. KELLOGG. Yes. We also work it the other way in making reductions.

The CHAIRMAN. If you made a lower rate, they could go to the lower rate?

Mr. KELLOGG. Yes; or they might do it, and we would naturally have to follow them.

Mr. HARDY. But, as a general thing, when the conference meets you talk over your different ideas, and when the conference rises you are pretty well agreed?

Mr. KELLOGG. We naturally—we have got to agree with the man who says he is going to make a certain rate.

Mr. HARDY. Whatever you have to do, as a matter of fact, you generally rise in pretty nearly an agreement when the conference is over; is not that true?

Mr. KELLOGG. Of course, it is naturally this way; we do not give our notice to the chairman until the conference is over.

The CHAIRMAN. When it is over you are generally pretty near an agreement?

Mr. KELLOGG. We have got to be in agreement.

Mr. HARDY. Do you mean to say by that that you are always in agreement when the conference is over?

Mr. KELLOGG. We sometimes have different ideas and different opinions, and we do not agree in opinions—naturally we do not agree.

Mr. HARDY. Now, when you get through you agree on rates?

Mr. KELLOGG. When we get through we size the situation up and say, "Here, if that man is going to give a certain rate from Galveston, we have got to make the same rate from Mobile."

Mr. HARDY. You have said that you have agreed, and I suppose you do before you quit?

Mr. KELLOGG. There is no agreement, and generally there is absolutely independent action.

Mr. HARDY. But from what you said now, you do agree?

Mr. KELLOGG. Perhaps the term "agree" does not cover it. We have got to meet the lowest rate that is in effect or else decide that we will go without the business.

Mr. HARDY. As a matter of fact, all you do, if you have different opinions, is to acquiesce in that of the majority, do you not?

Mr. KELLOGG. We acquiesce in the tariff rate of the lowest man making the rate.

Mr. HARDY. And when you get through, you have all acquiesced in the rate fixed?

Mr. KELLOGG. When we go home and think it over, we sometimes think it is best to do it.

Mr. HARDY. As a matter of fact, you do all acquiesce, do you not?

Mr. KELLOGG. Not necessarily. We may do something that we do not want to do.

Mr. HARDY. Not necessarily; but actually, how do you do?

Mr. KELLOGG. We do whatever we think is for the best interests of our lines.

Mr. HARDY. How have you done in the past five or six conferences?

Mr. KELLOGG. In some cases we have met the rate and in some we have not—in most cases we have.

Mr. HARDY. Have you ever broken the conference up with two members saying, "We will not abide by the results or conclusions you have reached?"

Mr. KELLOGG. That would have nothing to do with the rates, really, because it would be a question of what——

Mr. HARDY. We want to know whether in these conferences you have ever disagreed and ever broken up in disagreement, or whether you have always acquiesced in the conclusions reached by the conference?

Mr. KELLOGG. Yes; we have broken up in disagreement.

Mr. HARDY. How long ago was that?

Mr. KELLOGG. Perhaps two or three years ago or three or four years ago.

Mr. HARDY. It has been three or four years ago since you broke up in disagreement?

Mr. KELLOGG. Yes.

Mr. HARDY. Where did you have this conference?

Mr. KELLOGG. They are really not conferences—they are mostly done by correspondence—things of that sort. We notify the chairman that there is a certain rate to be affected.

Mr. HARDY. You do have meetings, do you not?

Mr. KELLOGG. We do meet together sometimes.

Mr. HARDY. Where at?

Mr. KELLOGG. Various points; sometimes New York, sometimes New Orleans.

Mr. HARDY. Is that for your Gulf conference that you meet in New York?

Mr. KELLOGG. The Gulf conference, wherever it meets.

Mr. HARDY. Where did you meet last?

Mr. KELLOGG. New Orleans.

Mr. HARDY. Was that where you had your break-up and disagreement? Where did you have that disagreement?

Mr. KELLOGG. I think that was in Chicago.

Mr. HARDY. That was about four years ago?

Mr. KELLOGG. Something like that.

Mr. HARDY. Is it not about this that you all recognized that each man is a man himself and has the right to kick clear over the traces, but you have met together for the purpose of harmonizing your interests and reaching an agreement?

Mr. KELLOGG. We are trying to keep ourselves from destroying each other.

Mr. HARDY. I think I stated it about that way, did I not?

Mr. KELLOGG. We are trying to keep ourselves from destroying each other.

Mr. HARDY. I may have used a little different term, but the purport of the thing is about the same; that is your object, to harmonize.

Mr. KELLOGG. Naturally the object of the oral agreement, possibly, is that a man will simply know what is going on.

Mr. HARDY. Of course, that is the purport.

Mr. KELLOGG. And be familiar with other people's business.

Mr. HARDY. That is the purpose of all agreements?

Mr. KELLOGG. If they can be called "agreements."

Mr. HARDY. Is not that the "understanding," then? You do understand it, when you get through?

Mr. KELLOGG. We think we do.

Mr. HARDY. And all of you understand it? [No response.] I will now ask you about a little different thing. You said a moment ago, I think, that you usually charter foreign-built ships under foreign flags, but now that the tonnage all over the world had gone up you chartered some American vessels?

Mr. KELLOGG. We are able to charter perhaps two or three in our fleet of American vessels.

Mr. HARDY. Do they fly the American flag?

Mr. KELLOGG. Yes.

Mr. HARDY. Do you find any difference in the cost? Would you not charter all American vessels if you could get them at the same price?

Mr. KELLOGG. There is no question about it.

Mr. HARDY. Would there be any difference in running these vessels under American and the foreign flag?

Mr. KELLOGG. Not as far as we are concerned, because we do not pay the operation of the crew.

Mr. HARDY. As a matter of fact, there is really nothing to prevent you from running the American flag, except the cost of the ship, is there?

Mr. KELLOGG. Absolutely so.

Mr. HARDY. That is absolutely in your business between you and the American flag?

Mr. KELLOGG. That is right. We are Americans and naturally would be interested in anything that is American.

Mr. HARDY. I believe you stated yours is an American company trying to build up American trade?

The CHAIRMAN. We have the terms published by the company, for instance, operating out of Mobile, one out of New Orleans, and one out of Galveston to Cuba. Those tariffs are all published; they contain the names of all the companies on the title page, and purport to be joint tariffs by all of the companies operating from the several ports I have mentioned to Cuba, and yet you want us to understand that those rates are not made by agreement and those tariffs are not joint tariffs and are not fixed in this conference?

Mr. KELLOGG. Those rates are made identical with the methods of all the associations which make rail-line rates.

The CHAIRMAN. They are made up in these conferences, are they not?

Mr. KELLOGG. They are talked over in the conference with the idea of getting at what is fair and legitimate.

The CHAIRMAN. Who is the man who goes to work and publishes them and puts the names of all the companies, apparently parties to those rates on the sheet, and sends them out?

Mr. KELLOGG. That is Chairman Hausman, of the Gulf lines freight committee.

Mr. WILSON. By what authority does he do that?

Mr. KELLOGG. He is the representative of the lines.

Mr. WILSON. Represented in the conference?

Mr. KELLOGG. Yes.

Mr. WILSON. The conference then directs him to do that?

Mr. KELLOGG. No; independently each ship company directs him what the rate shall be?

Mr. WILSON. After the conference?

Mr. KELLOGG. Yes; at any time.

The CHAIRMAN. Does he have power of attorney to do that?

Mr. KELLOGG. I could not answer that directly.

The CHAIRMAN. He is authorized by your company to do it?

Mr. KELLOGG. He is authorized by our company to do it.

The CHAIRMAN. And he is authorized by the other companies to do it?

Mr. KELLOGG. Yes; he is authorized to publish such rates as we tell him to publish.

The CHAIRMAN. I say, the other companies of the conference?

Mr. KELLOGG. Yes.

The CHAIRMAN. The rates in this joint tariff are lived up to by the several companies parties to the tariff, are they not?

Mr. KELLOGG. While they are effective.

The CHAIRMAN. Of course, while they are effective; and they are in effect now?

Mr. KELLOGG. Yes; they are in effect now.

The CHAIRMAN. I believe you operate from Mobile to Colon. What line is that?

Mr. KELLOGG. From Baltimore to Colon.

The CHAIRMAN. What line is that?

Mr. KELLOGG. That is the Munson Line.

The CHAIRMAN. How do the rates of that line from Baltimore to Colon compare with the rates from New York to Colon?

Mr. KELLOGG. Well, they are much under the New York rates.

The CHAIRMAN. Well, could you give us a fair percentage of how much?

Mr. KELLOGG. No; I can not, for this reason, that we went into this business solely on account of the building of the Panama Canal; for instance, the McLanhan-Marshall Construction Co. took the contract of shipping 66,000 tons of material to Colon. We made a rate with them for handling that 66,000 tons. A tariff on that commodity would say certain rates on certain pieces of structural iron, under certain weights, so much per hundred pounds, and as the scale weight went up, the scale rate would go up. We took simply an average basis of rate and named it to them per ton, based upon what we thought we could handle it for, and make a legitimate profit. Our steamship line is operated by such things as that—large contracts of 10,000 tons up, or even smaller.

The CHAIRMAN. Mostly, if not entirely, contract freight from Baltimore to Colon?

Mr. KELLOGG. That is right.

The CHAIRMAN. And material used in the construction of the canal?

Mr. KELLOGG. Yes.

The CHAIRMAN. What other lines are operating from Baltimore to Colon?

Mr. KELLOGG. There is no other line from Baltimore to Colon.

The CHAIRMAN. What companies operate from New York to Colon?

Mr. KELLOGG. The United Fruit Co., the Royal Mail Steam Packet Co., the Panama Railroad Co., and the Hamburg-American, Atlas Service.

The CHAIRMAN. You may state whether or not there is any agreement between your line and the other lines, or any of the other lines mentioned, as regards either the freight or passenger traffic to or from the United States to Colon?

Mr. KELLOGG. We have no passenger traffic to Colon, and we do not confer with them about any of our contract freights.

The CHAIRMAN. How about your noncontract freights?

Mr. KELLOGG. If we were to have a steamer in New York, as we have had sometimes in loading material at the time we had a strike

at Baltimore, we diverted our steamers to New York and diverted the cargo to New York. At that time we were asked as to whether or not we were cutting rates on the Colon freight, and we were willing to refrain from that.

The CHAIRMAN. You act in conference with the other lines, in fixing those rates, do you not?

Mr. KELLOGG. We do not; we have nothing to say about the rates.

The CHAIRMAN. You have the same rates on noncontract freight from Baltimore to Colon as are in existence from New York to Colon, have you not?

Mr. KELLOGG. No; we do not publish a rate at all.

The CHAIRMAN. I do not care whether you publish the rate or not; you have the same rate, have you not?

Mr. KELLOGG. No; we do not, because we name the rate according to the circumstances, according to the business that comes up from time to time.

The CHAIRMAN. I am not speaking about the contract rate; I am speaking about general cargo.

Mr. KELLOGG. We have not developed any general cargo, because practically the line has developed a line carrying these big contracts, and we are loaded up, every time we go out we leave back 600 or 1,000 tons of freight.

The CHAIRMAN. Would you call that a tramp service or a line service?

Mr. KELLOGG. We would call it a line service, because we endeavor to make monthly sailings, but we could hardly be a factor in the general-cargo business for the reason this class of freight we handle is extremely awkward; a heavy steamer might be there three weeks loading and might be there two weeks, and steamers out of New York are an entirely different class; we could not compare with them, could not begin to be in the same class with them. We handle freight which I presume they would not care to handle; at the same time we make contracts in competition with tramp steamers, as wherever there is a full cargo a tramp steamer would be likely to go on.

The CHAIRMAN. Do you carry any freight for points beyond Colon?

Mr. KELLOGG. We do not.

The CHAIRMAN. Has the Munson Line any contracts with railroads?

Mr. KELLOGG. Nothing, except contracts from the port of Mobile, which I believe you have copies of.

The CHAIRMAN. The contract is between the Southern Railway Co. and the Munson Steamship Line, the Louisville & Nashville and the Mobile & Ohio, and contains a clause like this, does it not?

That, so far as it lawfully may, or unless compelled by legislative enactment, order of the commission, or judicial decree to do otherwise, the railway company agrees, on all business through the port of Mobile, to work preferentially with the steamship line in all matters of water transportation to the territories outlined in paragraph 1, unless the steamship line has no regular service and does not care for the spasmodic cargoes that may develop from time to time, in which case the railway company has the privilege of working with other water carriers until such time as the steamship line elects to provide for the requisite tonnage or service. The railway company earnestly desiring to stimulate and increase traffic via Mobile, in connection with the steamship line, will use every reasonable effort to aid and expand that traffic from the territory served by its

lines. The steamship line agrees to do all in its power to stimulate and increase the traffic over the railway company's lines, and not to put on a steamship service from other Gulf ports without at least 35 days' written notice to the Southern Railway Co. aforesaid of the proposed steamship service, together with the character and extent thereof.

Now, under the operation of that contract between your company and the railroad company there is no chance for any other company to come in there and get any part of that freight, originating with either one of these railroads, is there?

Mr. KELLOGG. I am not personally acquainted with the contract; I have never read the contract; but I understand the contract has been changed to comply with the interstate-commerce law.

The CHAIRMAN. Yes; I read you the modified contract; that is, the provision in the modified contract. As it originally read it was as follows:

That unless compelled by legislative enactments or judicial decree to do otherwise the railway company agrees, on all business through the port of Mobile, to work exclusively with the steamship line in all matters of water transportation to the territories outlined in paragraph 1, unless the steamship line has no regular service and does not care for the spasmodic cargoes that may develop from time to time, in which case the railway company has the privilege of working with other water carriers until such time as the steamship line elects to provide for the requisite tonnage or service. The railway company earnestly desiring to stimulate and increase traffic via Mobile in connection with the steamship line will use every reasonable effort to aid and expand that traffic from the territory served by its lines. The steamship line agrees to do all in its power to stimulate and increase the traffic over the railway company's lines and not put on a steamship service from other Gulf ports without the written consent of the railway company.

That modified it somewhat. Is there anything else any other member of the committee cares to ask? Have you any further statement to make, Mr. Kellogg?

Mr. KELLOGG. No; I think not. I think I refuted Mr. Storey's statement of the South American Line, that we were not a fighting ship, and are establishing a line there to develop the business.

Mr. HARDY. You made one very interesting statement to me to the effect that if you could charter American ships as cheaply as you could the foreign ships you would charter them altogether and carry your freight under our flag.

Mr. KELLOGG. Yes, sir; quite naturally. There is one trouble in legislation. A company, such as ours, is likely to be classified as a foreigner, because we operate the foreign ships, but we only operate the foreign ships as a case of necessity.

Mr. HARDY. Can you give us any idea as to how many foreign ships are operated like you operate yours, by American capital in this country?

Mr. KELLOGG. I should say at least double the number, if not more. That is only a rough estimate.

Mr. HARDY. Do you mean double the number that you operate?

Mr. KELLOGG. Double the number that we operate; yes, sir; if not more.

Mr. HARDY. Do you not suppose there are a great many more, taking all the companies together?

Mr. KELLOGG. Possibly there are. You know this business is so large that you have all you can do to attend to your own end of it; it is impossible to keep track of all this unless you make a study of it.

Mr. HARDY. What would the tonnage of the hundred vessels you operate on charter?

Mr. KELLOGG. They run in dead weight anywhere from 2,000 tons up to 7,000 tons. I should say a fair average would be somewhere around 4,00 tons per steamer—perhaps 4,500 tons carrying capacity.

Mr. HARDY. I believe you said you operated about 100 vessels, which you let go into the tramp trade. Is that the total amount of your vessels?

Mr. KELLOGG. About 100 vessels; yes, sir.

Mr. HARDY. Do you have any passenger business?

Mr. KELLOGG. We have a passenger line, that company, in the River Cubana; we operate two passenger ships to the east end of the island of Cuba, but their capacity is very limited and they are rather obsolete ships; they are not up-to-date passenger ships.

Mr. Post. What kind of crews operate your vessels?

Mr. KELLOGG. You see, we do not own the steamers ourselves.

Mr. Post. I understand that, but you are familiar with the crews. What kind of crews have you?

Mr. KELLOGG. The crews are those put on by the owners. Their captains and mates, probably down to the third mate, are generally booked with the ship at their home ports.

Mr. Post. Are they Americans or foreigners?

Mr. KELLOGG. They are foreigners, generally the nationality that goes with the ship, and the crew is shipped by these agencies in New York as the ships come into the port. Sometimes a crew will reship by the same steamer right straight along—get paid off when they come to port, then reship on the same steamer.

Mr. HARDY. How do your freight rates from New York to Cuba compare with freight rates from Liverpool to Cuba?

Mr. KELLOGG. I should say our freights were about the same, taking into consideration that we land all our goods in Cuba and pay the expenses of the lighterages, and in some cases the wharfage, and in some cases the loading on cars. The custom from Europe is that the freight shall be delivered in the harbor, cross ship, the lighterage being for account of consignees.

Mr. HARDY. But, put together, your rates are about the same, are they not?

Mr. KELLOGG. Put together, I should say about the same. The method of making rates from Europe is a little different from our method.

Mr. HARDY. That does not matter if the effect is the same.

Mr. KELLOGG. When you come to look at rates and the tariff, you have to sit down and figure them out.

Mr. HARDY. You include this lighterage and delivering?

Mr. KELLOGG. Yes; but I refer also to the fact that their rates are made per dead weight or measurement ships per option, while ours are under commodity rate, so much per 100 pounds.

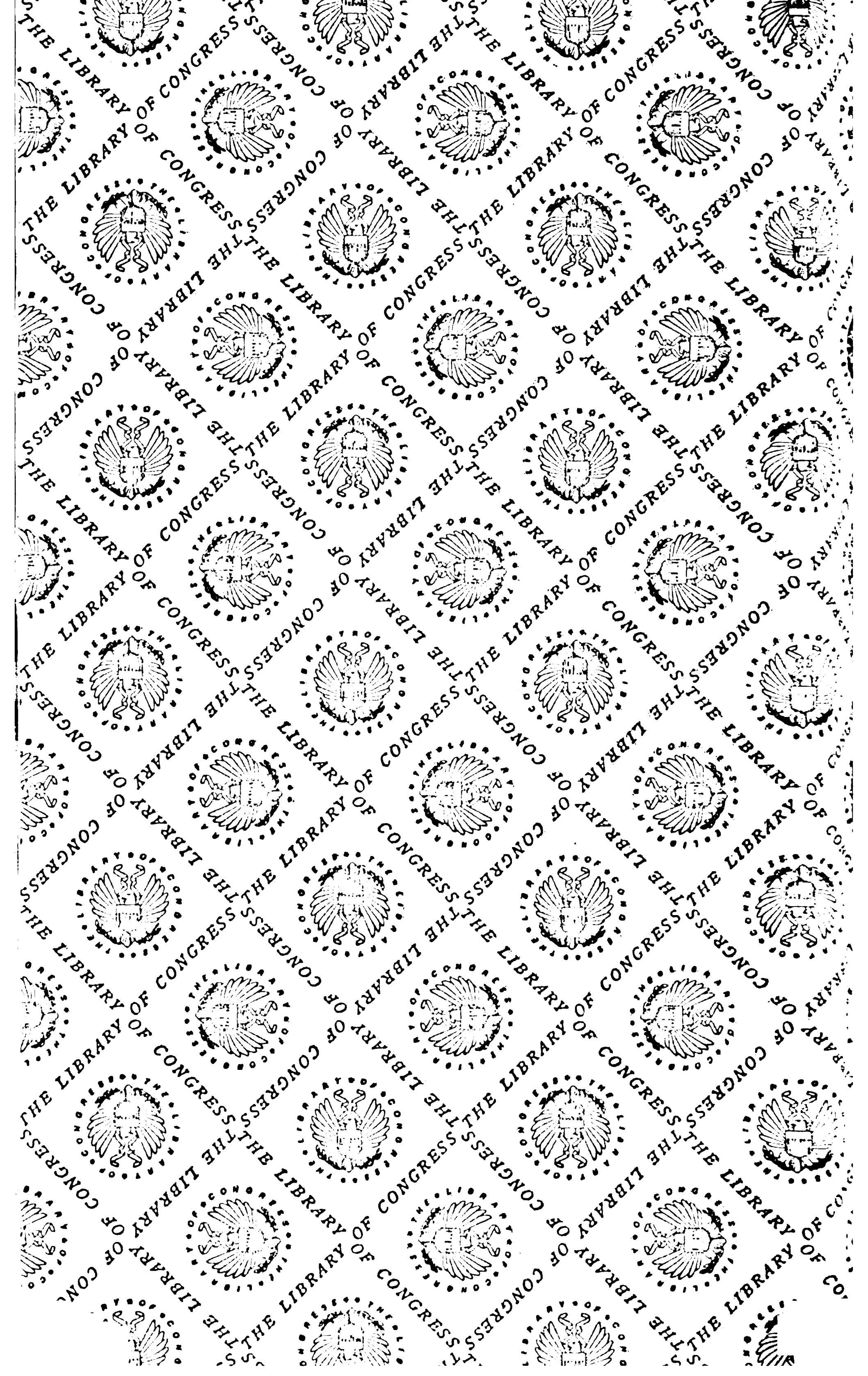
The CHAIRMAN. If there are no further questions, we will take a recess until to-morrow morning at 10.30 o'clock.

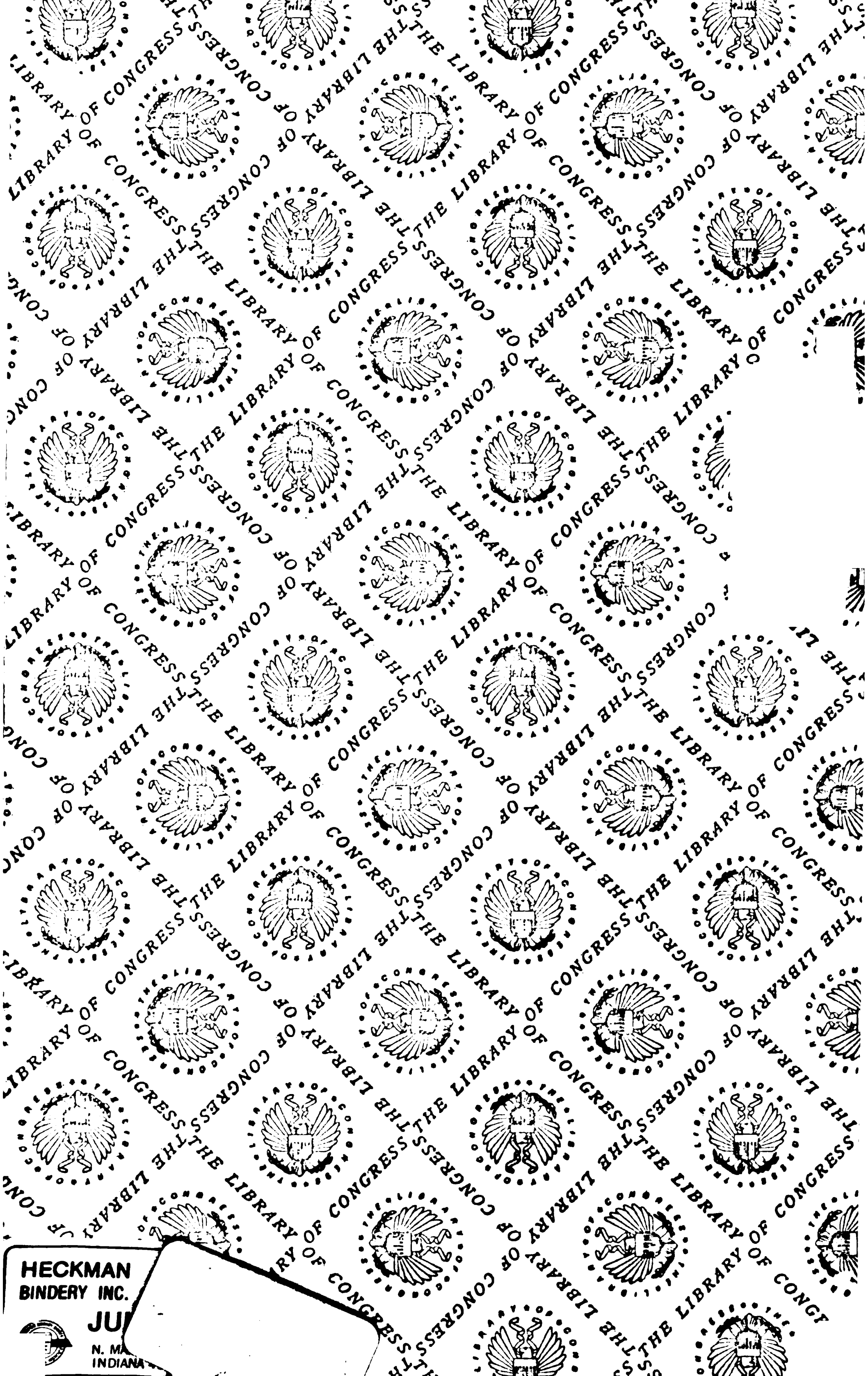
Thereupon, at 4 o'clock p. m., the committee adjourned, to meet again at 10.30 o'clock to-morrow, Saturday, January 25, 1913.

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